American Association of Port Authorities
Alliance of the Ports of Canada, the Caribbean, Latin America and the United States

Seaports Deliver Prosperity

Testimony of Kurt Nagle
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Hearing on Long-Term Financing of the Highway Trust Fund

House Committee on Ways and Means
Wednesday, June 17, 2015
10:00 a.m.
Room 1100, Longworth House Office Building

Chairman Ryan and Ranking Member Levin, thank you for holding this important hearing on the *Long-Term Financing of the Highway Trust Fund.* How we fund our infrastructure is a conversation that Congress and the Administration must have and AAPA looks forward to being engaged in this conversation, especially from a freight perspective. Thank you both, and in particular Congressman Blumenauer, for your leadership on this issue.

AAPA is the unified and collective voice of the seaport industry in the Americas. AAPA empowers port authorities, maritime industry partners and service providers to serve their global customers and create economic and social value for their communities. Our activities, resources and partnerships connect, inform and unify seaport leaders and maritime professionals in all segments of the industry around the western hemisphere. This testimony is on behalf of our U.S. members. AAPA is also the Chair of the Freight Stakeholder Coalition, which is a unique coalition of 19 national stakeholders comprised of system users, planners and builders, which has provided comments on policy and funding on the transportation reauthorization bill since 1992.

The next surface transportation authorization is an opportunity to provide long-term, sustainable funding and to build upon MAP-21, which recognized the linkage between goods movement and economic competitiveness. However, AAPA believes it is time to match this new emphasis on freight by not only ensuring both long-term Highway Trust Fund solvency but also adding new and additional non-HTF funding dedicated to prioritizing projects that optimize and integrate the nation's freight transportation system.

The federal government must lead long-term efforts designed to further America's competitive advantage by advancing projects of regional and national significance as well as

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first and last mile projects that reduce congestion, enhance goods movement, improve the environment and create jobs. If we are committed to the modernization of our nation's freight transportation system, it must accommodate projected growth in manufacturing and trade in years ahead or risk the U.S. being surpassed by foreign competitors.

One of the biggest challenges our industry sees today – and looking toward the future – is the state of port related infrastructure, and how we as a nation make the necessary investments in that critical infrastructure. There are sizable investment needs at port facilities and the connecting infrastructure on the land- and waterside.

The Highway Trust Fund can be a vital resource for funding freight projects, such as first and last mile projects that connect the ports with the surface transportation system as well as the Congestion Mitigation and Air Quality Program (CMAQ), which provides funding for air quality projects. Port connector projects are also eligible for the Surface Transportation Program (STP) and the Projects of National and Regional Significance (PNRS) program to address large choke points on our freight network.

Earlier this year, AAPA asked our members to look ahead 10 years and identify the key land-side infrastructure investments that need to be made. With 95% of our U.S. port members responding, *The State of Freight* survey results identified $28.9 billion of project investments. *A copy of this report has been submitted for the record*. Specifically, AAPA members identified 34 Projects of National and Regional Significance totaling $19.5 billion.

Additionally, MAP-21 required the USDOT to encourage states to develop comprehensive immediate and long-term freight planning and investment plans, and to collaborate with individual states, Metropolitan Planning Organizations (MPOs) and Freight Advisory Committees. In addition to comprehensive freight plans, states were also encouraged to establish freight advisory committees.

Ports are already engaging in the planning process so there is a blue print in place on how to fund freight projects.

- 71% of U.S member ports participated in the development of its statewide freight plan.
- 63% of U.S member ports are working directly with its region's MPO or Council of Governments (COG) in the development and planning of a freight project that is either underway or has recently been completed.

However, fixing the highway trust fund does not fix our freight network. The movement of freight is intermodal, meaning that it predominantly involves both rail and truck. These two modes do not necessarily exist in harmony under the current HTF structure.

For our country to build and sustain our infrastructure we must have an intermodal program that provides direct funding for freight. Our freight infrastructure needs, demands and challenges have become much more dynamic since 1993, the last time the gasoline user fee was increased.

Think of how much our economy, our population and how we conduct business has changed in the past 22 years. The growth and integration of the internet into everyday shopping has dramatically changed how we make purchases and how it is delivered through distribution type businesses such as AMAZON and others. These new business models have placed an incredible amount of stress on our already aging infrastructure.

For example, our population has grown by 23% (or 60 million) since 1993, meaning more freight customers and more demand on our infrastructure. Additionally, in 1993, 20.4 million TEU entered the country and moved on our rail and highways. By 2014 that number has more than doubled to 46.4 million TEUs. And the total tonnage of freight that moves through our ports and around our country has increased by 46.2% since 1993 to a total of 880,841 metric tons in 2014. That is a lot of wear and tear on our infrastructure that is also supporting the everyday trips of commuters, shopper and tourists around the country.

This demand on our infrastructure is only going to increase. Today, international trade through seaports accounts for over a quarter of the U.S. economy – and is projected to reach 60% by 2030. At the center of trade and transportation are America's seaports, which handle approximately $6 billion worth of import and export goods daily, generate over 23 million jobs, and provide more than $320 billion in tax revenues.

To address the immediate and long-term freight infrastructure challenges, AAPA recently endorsed the concept of a 1% waybill fee as an equitable approach to provide long-term funding for freight. This was included in legislation, H.R. 1308 *Economy in Motion: The National Multimodal and Sustainable Freight Infrastructure Act*, introduced by Representatives Alan Lowenthal (D-CA), Dana Rohrabacher R-CA and Mark Meadows (R-NC) and 11 other cosponsors. We urge the Committee to carefully look at this bill and how it can fund freight.

To help plan and make sustainable investments in a national freight network, AAPA has suggested several approaches:

1) Provide direct funding for freight projects,
2) Create a freight fund that provides formula funds to states as well as a discretionary grant program so that adequate funding can be distributed; and

3) Provide a sustainable funding source for the freight network. AAPA recently endorsed the concept of a 1% waybill fee as an equitable approach to provide long-term funding for freight.

AAPA is happy to see that Congress and the Administration recognize the value of improving our freight network. Whether we will be successful will very much depend on the Ways and Means Committee finding increased, sustainable funding sources for the highway trust fund and other mechanisms to fund multimodal freight improvements.

AAPA believes a strong case is being made for direct funding toward our freight network and that freight starts and ends with our seaports. We look forward to working with the Committee as you move a sustainable funding package for the Highway Trust Fund and for our Freight Network forward this summer.

AAPA American Association of Port Authorities

Alliance of the Ports of Canada, the Caribbean, Latin America and the United States

Port Surface Transportation Infrastructure Survey

The State of Freight

April 21, 2015

Version 1.2

1 in 3 U.S. ports need at least
$100 MILLION
in intermodal upgrades to handle projected 2025 freight volumes

Executive Summary

In Peter Zeihan's acclaimed 2014 book, "The Accidental Superpower," he cites the overwhelming freight transportation advantage the United States has over other trading nations in its system of ports and waterways. He argues that America has more miles of navigable waterways than any other nation, together with an enviable coastal geography of naturally deep harbors, barrier islands and indentations that are unmatched for seaport development anywhere in the world.

Unfortunately, due to insufficient investment in its freight transportation infrastructure, every day America is losing some of the goods movement advantage asserted in Mr. Zeihan's book.

Seaports are the backbone of a thriving 21st century global economy. Yet, a nation's freight transportation system is only as good as its underlying infrastructure. In the American Association of Port Authorities' (AAPA) *2015 Surface Transportation Infrastructure Survey - The State of Freight*, results indicate that the nation's unsurpassed goods movement network needs immediate and significant investment in the arteries that carry freight to and from its seaports. Without that investment, the American economy, the jobs it produces and the international competitiveness it offers will erode and suffer, creating predictable and oftentimes severe hardships to the individuals who live and businesses that operate within its borders.

In 2013 alone, some 1.3 billion metric tons of imported and exported cargo, worth nearly $1.75 trillion, moved through America's seaports, while an estimated 900 million metric tons of domestic cargo with a market value of over $400 billion was also handled through these international gateways.

Port-related infrastructure connects American farmers, manufacturers and consumers to the world marketplace and is facilitating the increase of American exports that are essential to the nation's sustained economic growth. In 2007, Martin Associates, of Lancaster, PA, reported that U.S. port activity was responsible for about 13.3 million American jobs and $212.4 billion in federal, state and local tax revenue. Martin Associates' 2015 nationwide port economic impacts update study shows the benefits

"Enhancing connections between highway and rail systems and port infrastructure will be a key part of ensuring the first and last mile of transportation infrastructure supports growing demand."

U.S. Senator John Thune (R-SD)
Chairman, Senate Committee on Commerce, Science and Transportation

of America's seaports having risen sharply over the intervening years, now responsible for 23.1 million U.S. jobs and $321.1 billion in federal, state and local tax revenue. According to the study, marine cargo activity at U.S. deep-water ports also generated $4.6 trillion in total economic activity, or roughly 26% of the nation's economy in 2014, compared to $3.2 trillion in combined economic activity associated with U.S. deep-water ports in 2007, or roughly 20% of the nation's GDP at the time.

Despite the importance to the economy, freight investments are disadvantaged in the current transportation planning and funding process. Freight projects face competition from non-freight projects for public funds and community support. Although passenger and freight movements must coexist on America's transportation network, these are two distinctly different stakeholder constituencies.

Because there's no clear definition of what constitutes "freight projects" in the federal government lexicon, there's been a lack of coordination among federal and state government entities and private sector stakeholders. This has resulted in a shortage of public funds to plan and invest in the nation's freight network and address the key freight chokepoints that impact both passenger and freight constituencies.

Due to their significant role in driving commerce, public seaports have the experience to help grow the economy, create jobs and promote an efficient, safe and environmentally sustainable freight network. As in any other successful operation, every port has a business plan for its long-term success to identify markets, leverage assets and prioritize and sustain its capital investments. Similarly, if America wants its transportation system to achieve long-lasting and sustainable success, it must implement a national freight plan to develop, sustain and grow its advantages for moving goods.

The results of AAPA's infrastructure survey reinforce one of the industry's key messages, "Seaports Deliver Prosperity." The survey also illustrates the significant steps public ports are making and have made in working with the planning community in developing and investing in freight projects. This has been particularly evident since passage of the 2012 *Moving Ahead for Progress in the 21st Century Act* (MAP-21), which laid out a clear and aggressive vision on how America plans and coordinates a national freight plan through collaboration with the individual states.

Additionally, this survey helps define the role ports are continuing to play in developing innovative Public Private Partnerships (P3s) with the nation's business sector, and facilitating additional resources into the process.

This survey focuses on seaports – critical gateways in the U.S. freight network through which more than 99% of America's overseas trade must pass. While there are other components of the freight network that must be addressed, the impact of vital seaport "first and last mile" connectors on the country's regional and national transportation infrastructure cannot be overstated. Ports are national models of effective intermodalism and are the very definition of critical infrastructure.

From 2007-2014 the annual impact of America's seaports increased:

43% to $4.6 trillion
in total U.S. economic value

74% to 23.1 million
U.S. jobs

51% to $321.1 billion
in federal, state & local tax revenue

100% to $1.5 billion
in personal wages & salaries

Survey Purpose and Participation

The purpose of AAPA's *2015 Port Surface Freight Infrastructure Survey* is to quantify the baseline need for investment in port infrastructure connecting the United States' deep-draft seaports to the rest of the nation's freight transportation system. The survey results reflect responses to questions asked of AAPA's 83 U.S. member public ports in the six months leading up to the publication of this report. With a 95% response rate, the survey represents nearly all of the top U.S. seaports on the Atlantic, Pacific and Gulf coasts, and along the Great Lakes.

The survey seeks to illustrate the critical nature of connection points between seaports and the national surface transportation system, including highway connectors and on-dock rail. It's at these critical connection and transfer points that the efficiency of moving freight through seaports and to and from the interior of the country can be maximized. These connection and transfer points for goods are the foundation of America's freight network.

The freight network is vast and evolving. It's a living grid that infuses an economic lifeline throughout the country; from small towns to major metropolitan regions, and farming districts to technology centers like Silicon Valley. At its heart are America's seaports, which handle an overwhelming majority of the nearly $6 billion worth of products that move to and from overseas markets every day. For the network to work properly, it must seamlessly connect to commerce centers in every community, state and territory, as well as to an ever-growing and vibrant inland waterway system that is unparalleled worldwide.

"Every type of transportation plays an important role in our national transportation network, but maritime and waterborne transportation in particular serves as our country's connection to the world economy."

U.S. Representative Bill Shuster (R-PA)
Chairman, House Committee on Transportation and Infrastructure

Analysis of Surface Transportation Connectors With Ports

It's been two decades since the United States addressed its surface transportation connectors. In 1995, the National Highway System (NHS) Designation Act, directed the Secretary of the U.S. Department of Transportation (USDOT) to develop a list of NHS intermodal connectors. With the input of state departments of transportation, the list was completed in 1998. In 2000, USDOT reported to Congress on the state of NHS Intermodal Freight Connectors. USDOT identified significant deficiencies in U.S. freight connectors and estimated the cost of them to be $2.6 billion.

Between 2000 and 2013, the volume of containers shipped through U.S. ports grew by approximately 50%, from 30.4 million to 44.6 million twenty-foot equivalent units (TEUs), adding further strain to port highway and rail connectors. The population in U.S. metropolitan areas also grew by 33 million people (14%) over the same period, which created a related increase in the demand for goods.

In the AAPA survey, respondents were asked what they anticipated the minimum cost would be over the next decade (through 2025) to upgrade the intermodal connections at their port so it could efficiently handle all of their projected inbound and outbound cargo.

Key Survey Results Included:

Nearly 80% of AAPA U.S. ports surveyed said they anticipate a minimum $10 million investment being needed in their port's intermodal connectors through 2025, while 30% anticipate at least $100 million will be needed.

- These intermodal connectors, often referred to as the "first and last mile" of the freight transportation network, account for roughly 1,200 of the 57,000 miles in the national highway system. Many of these connectors are in various states of disrepair and face further deterioration, particularly as trade volumes continue to grow. Like links in a chain, these transportation connections with America's seaports are critical to the overall freight network, and they are particularly vulnerable in large, congested metropolitan communities where commuters and freight share the same system. As the U.S. takes a closer look at planning and investing in its freight grid, intermodal access points must be prioritized.

Looking further at intermodal connectors, the AAPA survey asked respondents how much has congestion on these connectors over the past decade impacted their port's productivity.

One-third of respondents said congestion on their port's intermodal connectors over the past 10 years has caused port productivity to decline by 25% or more.

- MAP-21 made incremental steps in providing resources for improving intermodal connectors. Surface Transportation Program (STP) funds are now eligible for surface transportation infrastructure improvements in port terminals for direct intermodal interchange, transfer and port access. However, the competition for these funds is intense, as states have 27 other eligible funding activities in which to use these federal funds.

- Among AAPA survey respondents, 33% said their port has applied for STP funds during the last two years. However, AAPA has also heard from ports that low success rates in securing funding has made it difficult for them to make long-term commitments for infrastructure projects. AAPA repeatedly hears from U.S. member ports that sustainable and reliable funding sources need to be available in order for them to invest and leverage funding into the connecting freight network.

Needed and Planned Investment in the Freight Network

In a 2012 AAPA survey, U.S. public ports and their private sector partners reported plans to invest more than $9 billion each year for the next five years to maintain and improve their infrastructure. However, this investment is not being adequately matched by a federal government commitment to improve the corresponding connecting infrastructure. Many of the landside connections to seaports are insufficient and outdated, negatively affecting the ports' ability to move cargo into and out of the U.S., and threatening our international competitiveness.

Key Survey Results Included:

There is an identified current need of $28.9 billion in 125 port-related freight network projects. These projects range from intermodal connectors, gateway and corridor projects, to marine highways and on-dock rail projects.

Of these 125 projects, there are 46 intermodal projects totaling $7.5 billion, and 34 Projects of National & Regional Significance totaling $19.5 billion. Additionally, respondents identified 35 TIGER (Transportation Investment Generating Economic Recovery) projects totaling $1.9 billion.

Since 2009 TIGER Funding Has Leveraged $700 Million for the Freight Network

- Over the past six years, the Maritime Administration (MARAD) has coordinated 39 maritime TIGER projects, worth $500 million in federal funds.
- About $700 million in additional freight rail and federal TIGER projects have been awarded that also move maritime freight.
- TIGER is a multi-modal and multi-jurisdictional competitive grant program.

Building on the Planning Provisions of MAP-21

The 2012 MAP-21 surface transportation legislation required the USDOT to encourage states to develop comprehensive immediate and long-term freight planning and investment plans, and to collaborate with individual states, Metropolitan Planning Organizations (MPOs) and Freight Advisory Committees.

In addition to comprehensive freight plans, states were also encouraged to establish freight advisory committees. Furthermore, MPOs were directed to set performance targets for freight and to integrate freight planning performance provisions into their overall planning process.

MAP-21 set into motion a useful process for communicating, planning and ultimately funding important freight projects. Ports are engaging in this process and in many ways have been leading the conversation. In its *The State of Freight* survey, AAPA asked its U.S. member ports a series of questions on how they are building off the MAP-21 planning provisions and engaging with planning the freight network.

Key Survey Results Included:

63% of survey respondents said their port is working directly with its region's MPO or Council of Governments (COG) in the development and planning of a freight project that is either underway or has recently been completed.

- From this response, AAPA learned that not only are two-thirds of its U.S. member ports engaging in the MPO planning process and actively including freight projects in their statewide or Metropolitan Transportation Improvement Program, these ports are also engaged in an ongoing dialogue with their regional planners.

- AAPA also learned from this part of the survey that the availability of TIGER funding has significantly driven U.S. public port engagement with the planning community over the years. Because of port eligibility for TIGER funding and coordination and planning requirements in the submission of projects, the annual TIGER process has served as a catalyst in bringing freight stakeholders to the table.

71% of those surveyed said their port has participated in the development of its statewide freight plan.

- According to the Federal Highway Administration's (FHWA) Office of Freight Management and Operations, 42 states have worked with FHWA or are in various stages of development of their state freight plans. While many of these state freight plans are not yet MAP-21 compliant, the conversation on freight between states, stakeholders and the federal government is continuing.

64% of surveyed ports are members of a local freight advisory committee.

- MAP-21 encouraged the creation of local freight advisory committees to weigh in on the development of local and state freight plans. These freight advisories typically have a broad scope of membership, much like the National Freight Advisory Committee that is housed in the U.S. Department of Transportation. This is a place where the private sector continues to weigh in on the freight planning and funding process, which has been described as chambers of commerce for freight.

- An offshoot of this process has been a growing engagement and strong interest and understanding between ports, the private sector, and local and federal partners, in the development of creative Public-Private Partnership (P3) projects.

Public-Private Partnerships (P3s)

The ability to facilitate business through port entry and exit gates, and the ability to manage transportation logistics, make public ports excellent laboratories for P3-financed projects impacting the freight network.

However, several federal financing tools that could be considered a good fit for ports have not had measurable impacts. Only five of the AAPA U.S. ports surveyed have engaged in the federal Railroad Rehabilitation & Improvement Financing (RRIF) program, which is surprisingly low, given the overwhelming need and focus that ports indicated they had for on-dock rail projects. In follow-up questions on the RRIF program, ports expressed a sense of frustration navigating the program, and cited the need for a capital grants program to match up with RRIF loans to assist in facilitating and leveraging private sector capital.

The Transportation Infrastructure Finance and Innovation Act (TIFIA) program is another example of a financing program underutilized by AAPA's U.S. member ports.

Key Survey Results Included:

8% of the survey respondents reported having utilized a TIFIA loan for a port-related project.

- While freight rail and intermodal transfer center projects are eligible under TIFIA, many ports have reported having experienced difficulty with how USDOT interpreted their TIFIA applications, concluding that USDOT doesn't encourage port-supported TIFIA projects.

33% reported using, or planning to use, P3s; 13% identified using or planning to use Private Activity Bonds (PABs); and 62% indicated they were using or planning to use another financing source.

- The significant use by U.S. ports of P3 financing suggests there is additional opportunity to rein in and leverage private-sector resources in building projects that impact the freight network.

- In late 2014, the USDOT Build America Transportation Investment Center (BATIC) put out a call for projects and more than 25 U.S. ports submitted P3 proposals.

On-Dock Rail

For many ports, on-dock rail (rail track which is located immediately next to the dock front) offers a vital link to efficiently move goods directly between ships and trains to get the goods to America's heartland and major distribution centers. In referencing on-dock rail, Bill Johnson, the former port director for Florida's PortMiami, testified on Jan. 28, 2015, before the Senate Commerce Committee, saying, "Without interconnectivity, you cannot connect your port to America or the global economy."

Key Survey Results Included:

73% of AAPA U.S. member ports have on-dock rail, while most others have rail tracks within terminals near docks, which is often referred to as near-dock rail.

- However, U.S. ports' apparent rail infrastructure strength is misleading. Many port on-dock and near-dock rail systems are out-of-date and need to be significantly enhanced and reinforced, as well as integrated with new technology to accommodate rising shipping volumes.

- Having up-to-date on-dock and near-dock rail able to accommodate all the discretionary cargo that must be moved to and from a port's hinterland is a big priority for U.S. seaports. The need is so urgent that several ports have purchased rail lines to ensure access to their existing freight network and for business development. Based on the survey responses, a majority of ports are engaged in upgrading and/or expanding their on-dock rail systems and have cited the need for federal resources in assisting with on-dock rail investments.

- Even though improving port rail infrastructure is a priority for most ports, only 13% of survey respondents reported having applied for or are planning to use the RRIF program to pay for their projects. This may be due to what has been reported as a difficult application process to navigate. In the AAPA survey, respondents expressed a desire to revamp the RRIF program to make it easier to finance on-dock rail and other freight transportation infrastructure projects. They also indicated a desire that the RRIF program provide a capital grants aspect to work in tandem with its financing program.

Other Federal Options For Financing Port-Related Infrastructure Development

In addition to facilitating the movement of cargo, seaports are also stakeholders and partners in the communities in which they operate. In the U.S., public ports directly generate or influence the creation of millions of jobs, are environmental stewards and play a vibrant socio/economic role in the communities they serve. While the condition of the air, land and water surrounding these public ports is important to those who work and do business in the respective communities, it's equally as important to those who work or do business at the ports themselves.

In addition to infrastructure investments, ports partner with the federal government to fund programs that reduce diesel emissions and create economic opportunities through partnerships with the Economic Development Administration (EDA). To illustrate, the final question in AAPA's survey asked respondents if their port had ever applied for or received funding from Diesel Emission Reduction Act (DERA) grants, Congestion Mitigation and Air Quality Improvement program grants (CMAQ), or the Surface Transportation Program (STP) or Economic Development Administration (EDA) grants.

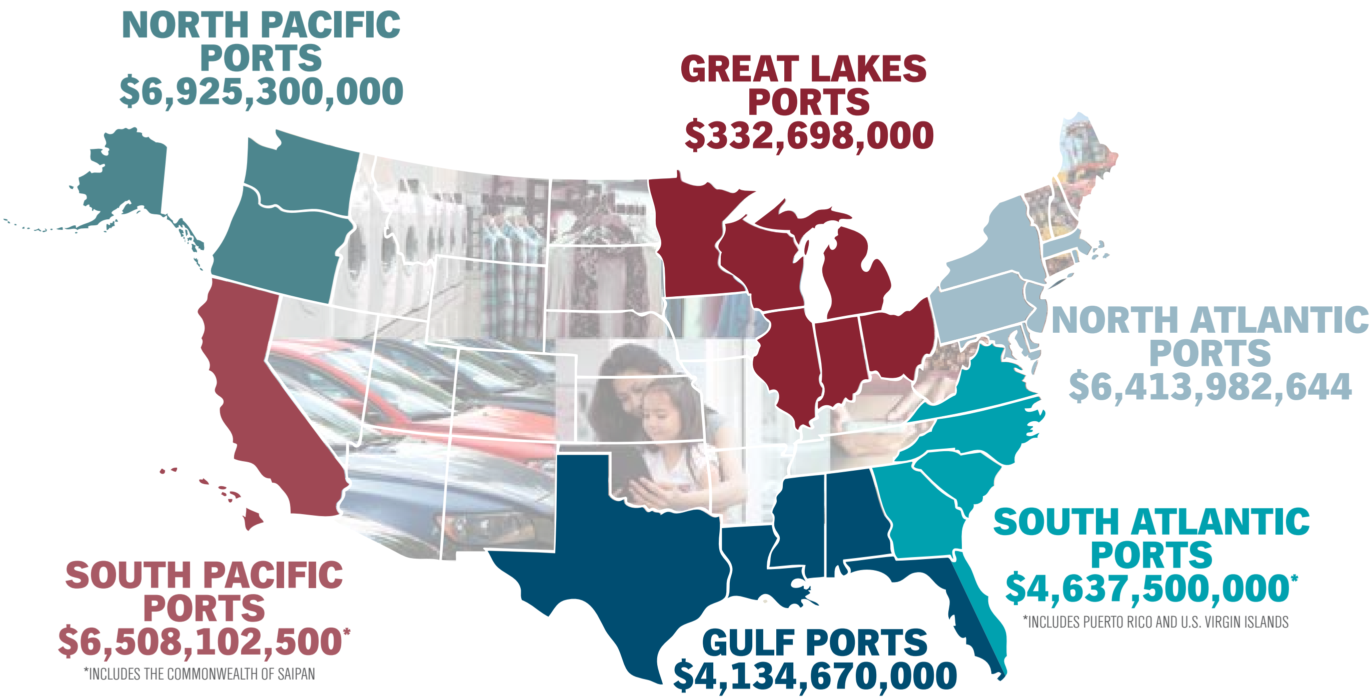
Key Survey Results Included:

57% of the AAPA U.S. member ports surveyed have applied through the U.S. Environmental Protection Agency for DERA funding, and 43% have applied for CMAQ funding to pay for reducing emissions and congestion while improving air quality in and around their ports.

45% have applied through the U.S. Department of Commerce for EDA grants by partnering with a regional academic institution and a local government authority, while 33% have applied for federal highway STP funding to improve their port's intermodal connections.

Conclusion

U.S. ports require at least $28.9 billion to handle projected 2025 freight volumes



America's freight network is vast and evolving. It's a living grid and economic lifeline for the country; from small towns to major metropolitan areas, from farming regions to technology centers.

At its heart are America's seaports, which handle approximately $6 billion worth of goods to and from overseas markets every day. These goods come in all shapes and sizes. Apparel and consumer electronics are shipped in standardized steel containers. Cars and trucks are driven on and off ships. Farm harvests are conveyed into the hulls of vessels. Liquids are moved by pipeline. Gaseous products are shipped in pressurized tanks. Project cargoes, like wind turbines and electrical generators, require special handling. These different cargo types require different transport modes to get them from shore to ship, and ship to shore. For the freight network to operate smoothly and efficiently, it must seamlessly connect commerce centers in every community, state and territory.

As indicated in AAPA's *2015 The State of Freight* survey, investment in America's port connection infrastructure is an urgent national priority. There is a path forward. This survey documents and illustrates the freight planning successes that resulted from the TIGER application process. Survey results show how MAP-21 built upon TIGER's targeted investments with the various state freight plans and with ongoing input of the individual states' freight advisory committees.

The survey also, for the first time, documents from the ports' perspective the requisite capital investments that are needed to maintain and enhance a 21st century freight network. These investments include "first and last mile" connector and gateway projects that, when viewed collectively, represent a strategic investment in the national transportation system, the national economy, as well as all of the individual enterprises and people who make the nation great.

This survey is a strong first step towards identifying the critical infrastructure needs of America's seaports, however more must be done. AAPA will continue to gather input from the industry and work with our partners to ensure that investing in our nation's freight transportation system is a national priority. A reliable and efficient transportation system will guarantee that seaports continue to deliver prosperity for all Americans.

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STATEMENT FOR THE RECORD BY

The Honorable John F. Cox

President, American Association of State Highway and Transportation Officials;
Director, Wyoming Department of Transportation

REGARDING

LONG-TERM FINANCING OF THE HIGHWAY TRUST FUND

BEFORE THE

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

ON

June 17, 2015

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INTRODUCTION

Chairman Ryan, Ranking Member Levin, and Members of the Committee, thank you for the opportunity to provide input on the need to identify a long-term, sustainable revenue solution for the Federal Highway Trust Fund. My name is John Cox, and I serve as President of the American Association of State Highway and Transportation Officials (AASHTO), and as Director of the Wyoming Department of Transportation (WYDOT). It is my honor to provide this Statement for the Record on behalf of AASHTO, which represents the State departments of transportation (State DOTs) of all 50 States, Washington, D.C., and Puerto Rico.

For almost 60 years, the Highway Trust Fund (HTF) provided stable, reliable, and substantial highway and transit funding. However, over the past seven years this has not been the case. Since 2008, almost $62 billion have been transferred from the General Fund to the HTF to keep it solvent. Recently—and retreading a path that we all have walked down before—the U.S. Department of Transportation (USDOT) announced that the Highway Account of the HTF will likely run out of money later this summer. If this is allowed to happen, States may not be reimbursed for work they have already paid for. In addition, failure to ensure the solvency of the HTF will force States to drastically reduce the obligation of new Federal highway funds in Fiscal Year 2016.

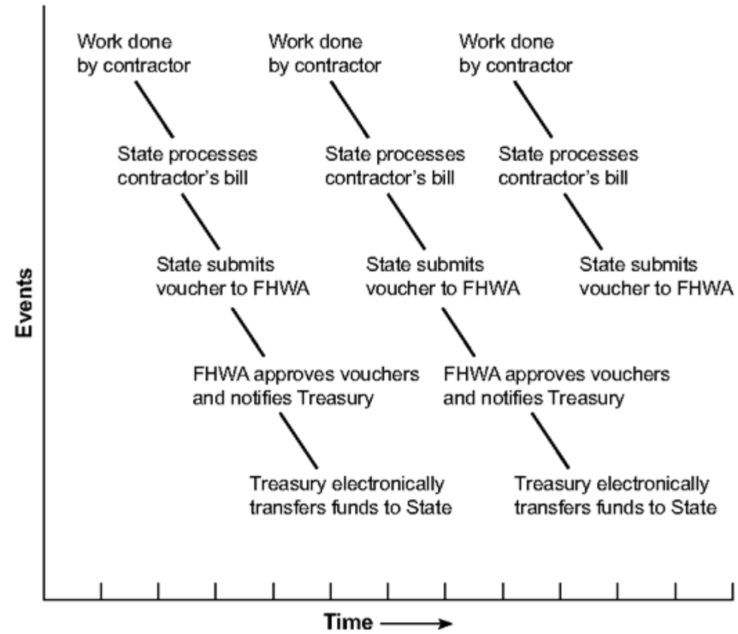
Almost half of capital investments made by States on our nation's roads, bridges, and transit systems are supported by the HTF. Without this strong Federal-State partnership, State DOTs will not be able to play their part in building and maintaining the national transportation network on which our economy relies to be competitive in the global marketplace.

FAILURE TO REIMBURSE STATES FOR PRIOR OBLIGATIONS

The Federal-aid Highway Program currently provides about $38 billion a year to State DOTs for important road and bridge projects across the country. These funds are derived from contract authority, a unique form of Federal budgetary authority well-suited for infrastructure projects that require a multi-year construction timeline. It is critical to note that the dollars obligated under this program represent the Federal government's legal commitment and promise to pay—or more accurately—reimburse the States for the Federal share of a project's eligible costs.

Under this reimbursement framework, States only receive funding from the Federal Highway Administration (FHWA) when work is completed on a project and the State submits a request for reimbursement. States typically receive reimbursement electronically from FHWA the same day payments to the contractor are made.

EXHIBIT 1. FEDERAL-AID HIGHWAY PROGRAM REIMBURSEMENT PROCEDURES



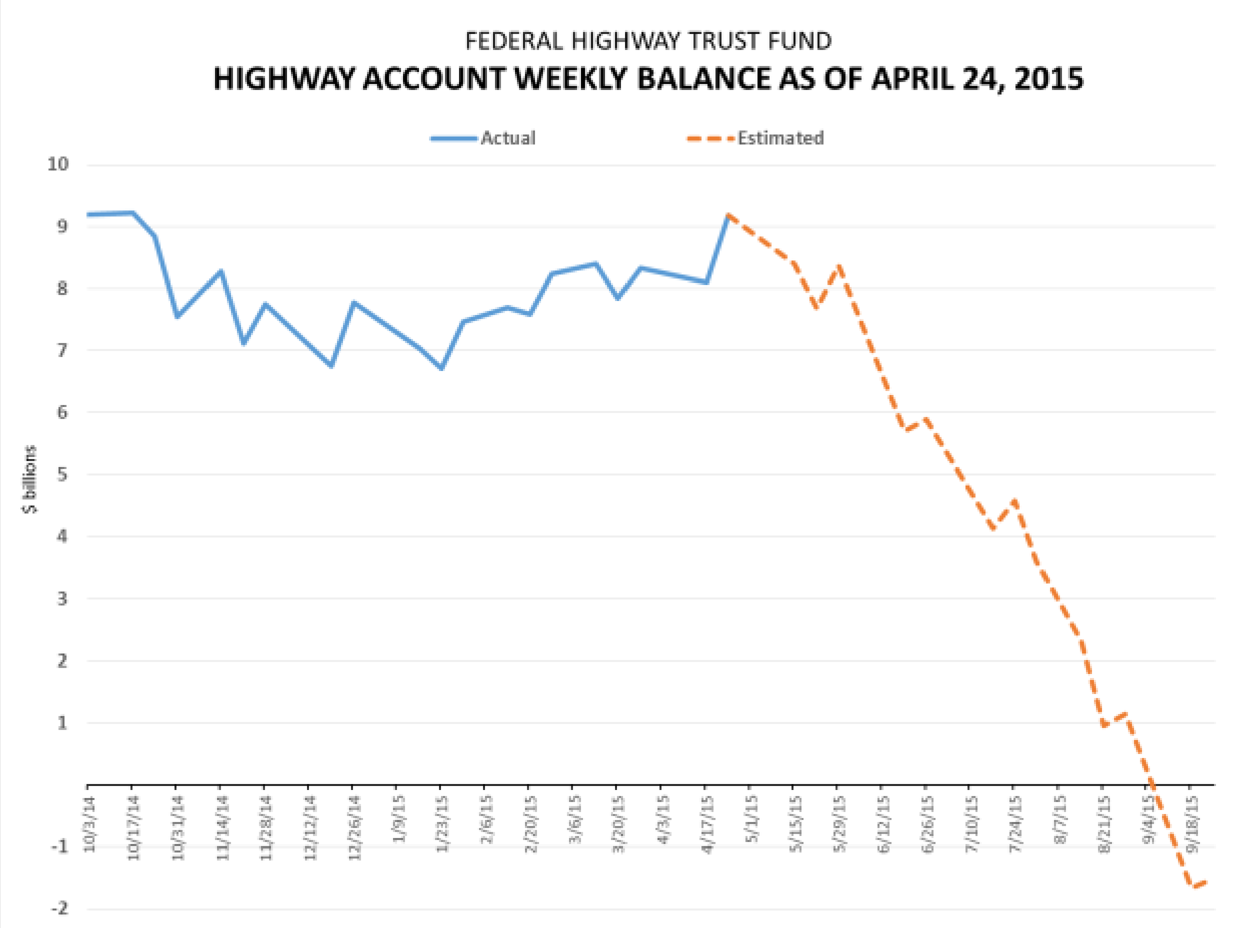
Source: Federal Highway Administration

It is currently estimated by the USDOT and Department of the Treasury that the Highway Account of the HTF is likely to run out of cash by early September of this year. Prior to reaching this point of insolvency, FHWA will be forced to institute emergency cash management procedures in order to slow down reimbursements to States for costs already incurred on highway and transit projects.

As Congress was faced with the same HTF insolvency crisis last summer, FHWA announced that under their proposed emergency cash management plan at the time, States' reimbursements would be capped at a drastically reduced amount relative to the full amount owed. This cap would have been determined by the ever-dwindling amount of cash in the HTF accessible by FHWA twice a month. Under this situation where FHWA cannot cover 100 percent of the bills received, States would have been left to provide the cash cushion—by whatever means necessary such as short-term borrowing, standby lines of credit, reliance on the state's general fund—for payments already made. Furthermore, FHWA incurs interest liability if a State pays out its own funds for Federal assistance program purposes, which would only exacerbate the cash shortfall in the HTF. Given the urgency of this situation, Congress passed the Highway and Transportation Funding Act, which was enacted on August 8, 2014, to provide $10.8 billion to the HTF.

Because States count on prompt payment from the Federal government to be able manage cash flow and pay contractors for completed work, any delay in reimbursement from FHWA will cause a significant disruption in all States. And in turn, contractors that rely on prompt payment from the State would be unable to pay their employees and suppliers. As you can imagine, such a devastating scenario will send shockwaves throughout the transportation community and all other industries supported by Federal infrastructure investment.

EXHIBIT 2. PROJECTED ESTIMATES FOR HTF HIGHWAY ACCOUNT'S END-OF-MONTH CASH BALANCE AS OF APRIL 24, 2015

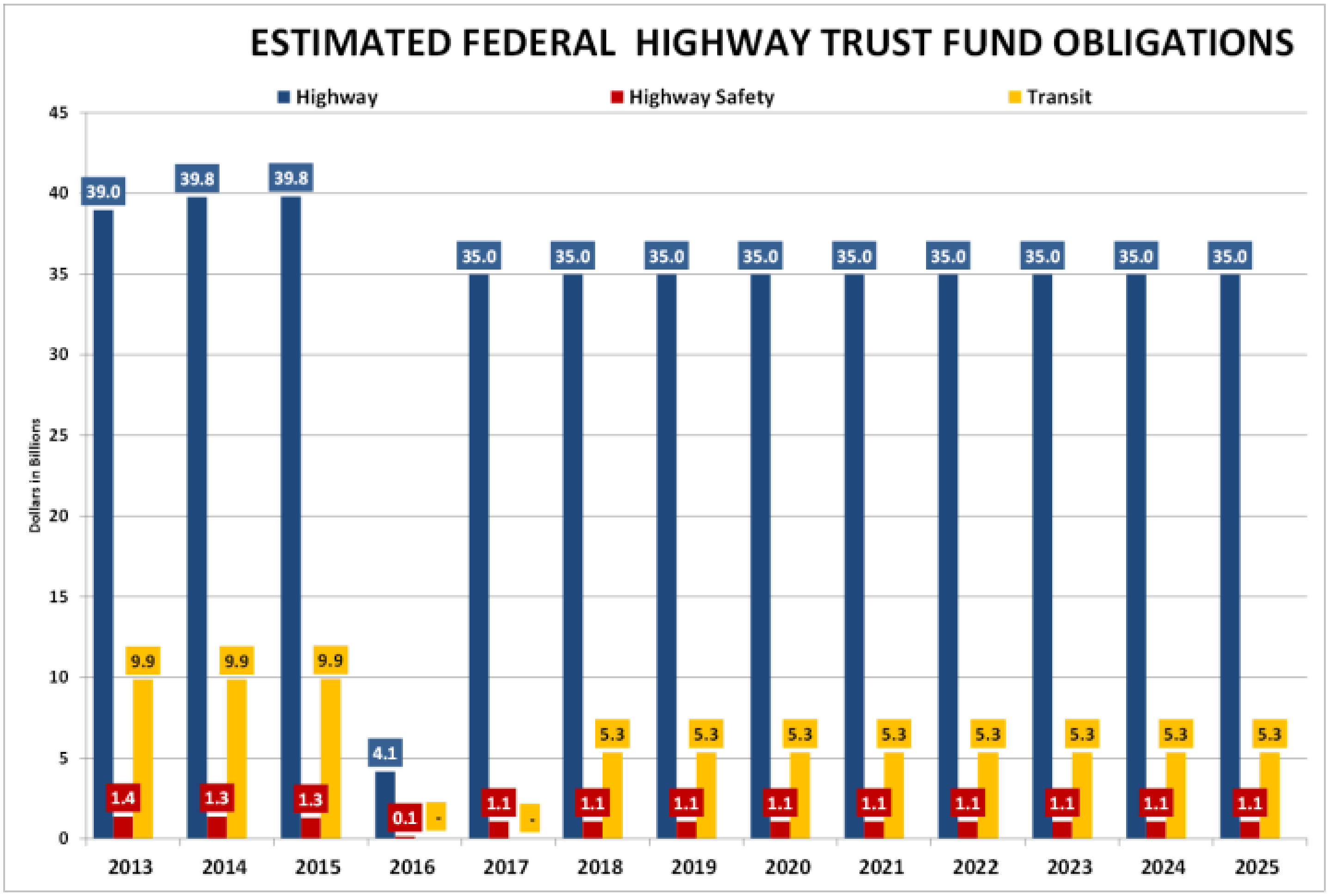


Source: US Department of Transportation; US Department of the Treasury

DEVASTATING IMPACT TO STATES OF A HIGHWAY TRUST FUND SHORTFALL IN FY 2016

Even if FHWA is able to keep the Highway Account solvent by delaying reimbursements to States this summer, it will not address the underlying structural problem. The Congressional Budget Office (CBO) estimates that yearly HTF receipts will be $17 billion less than HTF spending annually over the next ten years (FY 2016-2025). In order to keep the HTF solvent beyond this fiscal year, AASHTO estimates that States will have to significantly reduce new Federal highway funding in FY 2016—going from $40 billion to $4 billion. Even with virtually no new highway funding in FY 2016, there remains a possibility that FHWA will still have to alter its reimbursement procedures in FY 2016 to be able to pay for prior-year obligations.

EXHIBIT 3. ESTIMATED FEDERAL HIGHWAY AND TRANSIT OBLIGATIONS BEYOND FY 2015 WITH NO ADDITIONAL REVENUES TO THE HIGHWAY TRUST FUND



Historically, Federal highway funding has accounted for approximately 45 percent of what State DOTs spend on highway and bridge capital improvements. This means a significant portion of much-needed highway and transit projects—projects that underpin economic development and improve the quality of life—in every community and Congressional district will either be delayed or cancelled outright. Such cutbacks on contract lettings would mean missed opportunities to pare down the backlog of investment needs, while causing a negative domino effect on construction industry employment exactly when it is starting to rebound after being one of the hardest hit segments in the recent recession. Furthermore, ramping up and down construction activities—including equipment and labor resource management—due to the instability of the Federal program would represent an extremely wasteful exercise and impose heavy opportunity costs for the entire transportation industry and the nation as a whole.

ADDITIONAL REVENUES NEEDED JUST TO MAINTAIN CURRENT INVESTMENT LEVELS

As a major disruption to the HTF remains on the horizon, the Congressionally-chartered National Surface Transportation Policy and Revenue Study Commission projected annual Federal capital investment needs at $225 billion for the next fifty years. When compared to the current funding level of about $90 billion, there is a significant investment deficit in surface transportation infrastructure. In order to sustain the long tradition of robust national investment in transportation, we must ensure the HTF's looming cash shortfall is addressed with solutions that enable sustainable program funding not just beyond this summer or FY 2016, but for the long term.

While the HTF continues to derive about 90 percent of its revenues from taxes on motor fuels, these taxes are facing an increasingly unsustainable long-term future, therefore placing the viability of the HTF in question. Motor fuel taxes at the Federal level were last increased to the current rates of 18.4 cents per gallon for gasoline and 24.4 cents for diesel 22 years ago in 1993. As a static excise tax levied per gallon, taxes on motor fuel have lost a significant share of its purchasing power. Compared to the Consumer Price Index, the gas tax had lost 39 percent of its purchasing power by 2014, and is expected to lose more than half of its value—or 52 percent—by 2024. This loss of purchasing power is unusual considering the increase in nominal cost of virtually all other aspects of the economy.

EXHIBIT 4. SAMPLE OF NOMINAL PRICES RELATIVE TO FEDERAL GAS TAX, 1993 AND 2010

ITEM	UNIT/DESCRIPTION	1993	2010	PERCENT CHANGE
College Tuition	Average Tuition and Required Fees	$ 3,517	$ 9,136	160%
Gas	Per Gallon	$ 1.12	$ 2.73	144%
Movie Ticket	Average Ticket Price	$ 4.14	$ 7.89	91%
House	Median Price	$ 126,500	$ 221,800	75%
Bread	Per Pound	$ 1.08	$ 1.76	62%
Income	Median Household	$ 31,272	$ 49,167	57%
Stamp	One First-class Stamp	$ 0.29	$ 0.44	52%
Beef	Per Pound of Ground Beef	$ 1.57	$ 2.28	46%
Car	Average New Car	$ 19,200	$ 26,850	40%
Federal Gas Tax	**Per Gallon**	**$ 0.184**	**$ 0.184**	**0%**

Sources: U.S. Census Bureau, U.S. Department of Transportation, U.S. Postal Service, U.S.Department of Commerce, U.S. Department of Education, National Association of Theater Owners

Facing these structural headwinds, CBO projects the HTF in FY 2016 to incur $54 billion in outlays while raising only $40 billion in receipts, leading to a cash shortfall of $14 billion for its Highway and Mass Transit Accounts. This situation is not new, as the HTF will have—by the expiration of the current surface transportation program extension on July 31, 2015—relied on a series of General Fund transfers amounting to almost $62 billion since 2008 to close this gap. But this annual cash imbalance is expected to only get worse, and the HTF cannot incur a negative balance unlike the General Fund.

This situation leads to three possible scenarios for later this year:

1. Provide additional General Fund transfers to the HTF in order to maintain the current level of highway and transit investment and to meet prior-year obligations;
2. Provide additional receipts to the HTF by adjusting existing revenue mechanisms or implementing new sources of revenue; or,
3. Reduce reimbursement payments this summer and drastically reduce new Federal highway and transit obligations in FY 2016.

In order to support one of the first two scenarios where current highway and transit funding levels are maintained or increased, there is no shortage of technically feasible revenue options—including user fees and taxes—that Congress could consider.

EXHIBIT 5. MATRIX OF ILLUSTRATIVE SURFACE TRANSPORTATION REVENUE OPTIONS

Existing Highway Trust Fund Revenue Mechanisms	Illustrative Rate or Percentage Increase	Definition of Mechanism/Increase	$ in Billions	
			Assumed 2014 Yield	Total Forecast Yield 2015–2020
Motor Fuel Tax—Diesel	15.0¢	¢/gal increase in current rate (approx. 10% increase in total rate)	$6.54	$41.79
Motor Fuel Tax—Gas	10.0¢	¢/gal increase in current rate (approx. 10% increase in total rate)	$13.21	$78.12
Heavy Vehicle Use Tax	50%	Increase in current revenues, structure not defined	$0.55	$3.42
Sales Tax—Trucks and Trailers	10%	Increase in current revenues, structure not defined	$0.33	$2.19
Tire Tax—Trucks	10%	Increase in current revenues, structure not defined	$0.04	$0.23
Potential Highway Trust Fund Revenue Mechanisms	**Illustrative Rate or Percentage Increase**	**Definition of Mechanism/Increase**	**Assumed 2014 Yield***	**Total Escalated Yield 2015–2020***
Container Tax	$15.00	Dollar per TEU	$0.66	$4.26
Customs Revenues	5.0%	Increase in/reallocation of current revenues, structure not defined	$1.80	$11.66
Drivers License Surcharge	$5.00	Dollar annually	$1.08	$6.98
Freight Bill—Truck Only	0.5%	Percent of gross freight revenues (primary shipments only)	$3.07	$19.90
Freight Bill—All Modes	0.5%	Percent of gross freight revenues (primary shipments only)	$3.80	$24.60
Freight Charge—Ton (Truck Only)	10.0¢	¢/ton of domestic shipments	$1.17	$7.54
Freight Charge—Ton (All Modes)	10.0¢	¢/ton of domestic shipments	$1.44	$9.29
Freight Charge—Ton-Mile (Truck Only)	0.10¢	¢/ton–mile of domestic shipments	$1.41	$9.15
Freight Charge—Ton-Mile (All Modes)	0.10¢	¢/ton–mile of domestic shipments	$3.48	$22.52
Harbor Maintenance Tax	25.0%	Increase in/reallocation of current revenues, structure not defined	$0.43	$2.79
Imported Oil Tax	$2.50	Dollar/barrel	$5.76	$37.28
Income Tax—Business	1.0%	Increase in/reallocation of current revenues, structure not defined	$2.79	$18.06
Income Tax—Personal	0.5%	Increase in/reallocation of current revenues, structure not defined	$6.70	$43.36
Motor Fuel Tax Indexing to CPI—Diesel	–	¢/gal excise tax	–	$5.22
Motor Fuel Tax Indexing to CPI—Gas	–	¢/gal excise tax	–	$10.87

EXHIBIT 6. MATRIX OF ILLUSTRATIVE SURFACE TRANSPORTATION REVENUE OPTIONS, CONTINUED

Oil, Gas, and Minerals Receipts	25.0%	Increase in/reallocation of current revenues, structure not defined	$2.20	$14.25
Registration Fee—Electric LDVs	$100.00	Dollar annually	$0.01	$0.06
Registration Fee—Hybrid LDVs	$50.00	Dollar annually	$0.17	$1.12
Registration Fee—Light Duty Vehicles	$15.00	Dollar annually	$3.57	$23.11
Registration Fee—Trucks	$150.00	Dollar annually	$1.63	$10.54
Registration Fee—All vehicles	$20.00	Dollar annually	$4.98	$32.21
Sales Tax—Auto-related Parts & Services	1.0%	Percent of sales	$2.32	$15.04
Sales Tax—Bicycles	1.0%	Percent of sales	$0.06	$0.38
Sales Tax—Diesel	7.6%	Percent of sales (excl. excise taxes)	$9.65	$62.50
Sales Tax—Gas	5.6%	Percent of sales (excl. excise taxes)	$24.05	$155.66
Sales Tax—New Light Duty Vehicles	1.0%	Percent of sales	$2.41	$15.61
Sales Tax—New and Used Light Duty Vehicles	1.0%	Percent of sales	$3.46	$22.40
Tire Tax—Bicycles	$2.50	Dollar per bicycle tire	$0.08	$0.53
Tire Tax—Light Duty Vehicles	1.0%	Of sales of LDV tires	$0.33	$2.12
Transit Passenger Miles Traveled Fee	1.5¢	¢/passenger mile traveled on all transit modes	$0.84	$5.45
Vehicle Miles Traveled Fee—Light Duty Vehicles	1.0¢	¢/LDV vehicle mile traveled on all roads	$27.12	$175.58
Vehicle Miles Traveled Fee—Trucks	4.0¢	¢/truck vehicle mile traveled on all roads	$10.93	$70.73
Vehicle Miles Traveled Fee—All Vehicles	–	¢/vehicle mile traveled on all roads	$38.05	$246.31

** Base annual yield escalated using CPI-U.*

On the other hand, if no new revenues can be found for the HTF and the third scenario prevails, State DOTs will be left to face two dire consequences that will severely undermine much-needed transportation investments throughout the nation: potentially significant delays on Federal reimbursements owed to States for costs already incurred, and a virtual elimination of new Federal funding commitments in FY 2016.

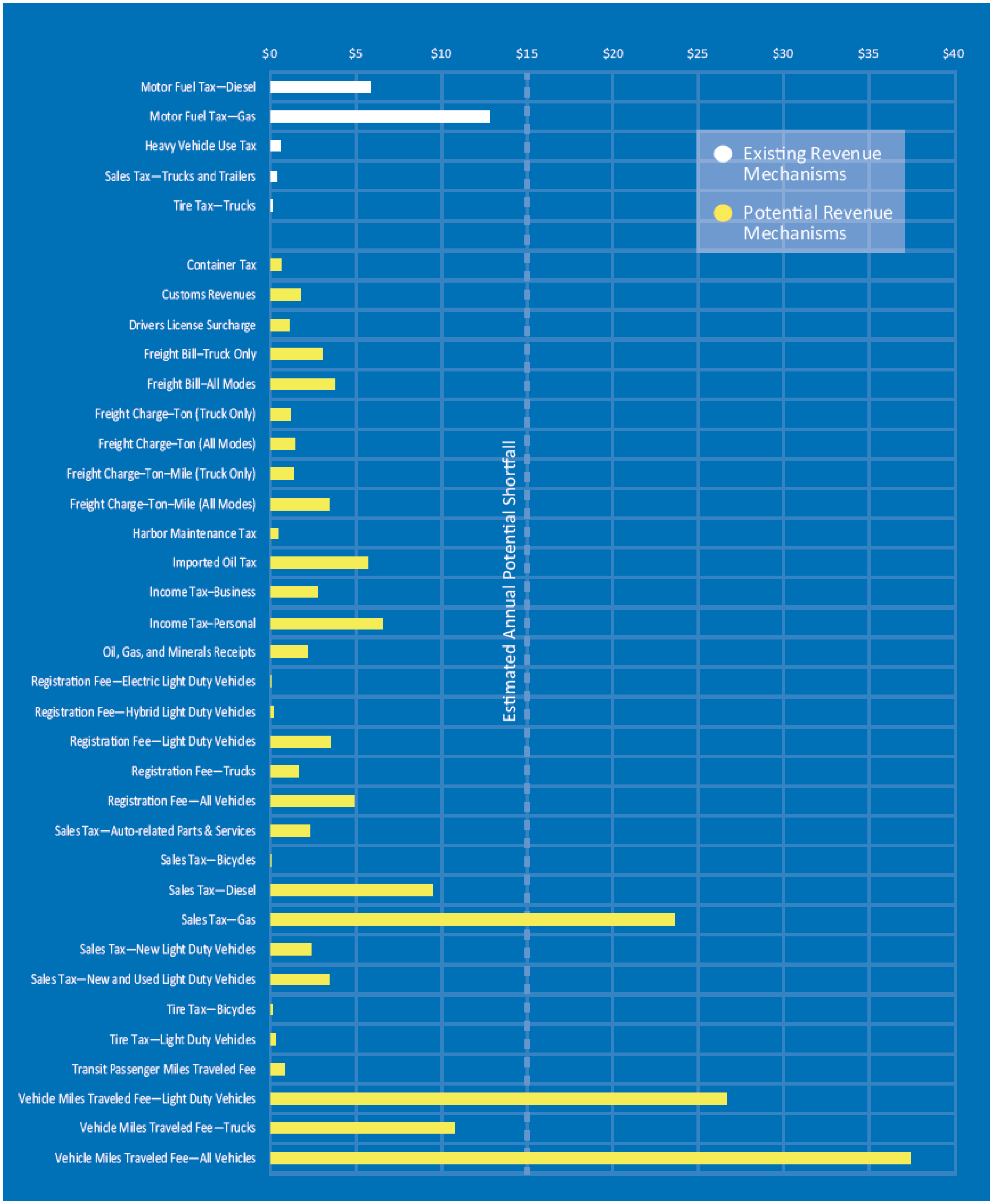
CONCLUSION

There is ample documented evidence that shows infrastructure investment is critical for long-term economic growth, increasing productivity, employment, household income, and exports. Conversely, without prioritizing our nation's infrastructure needs, deteriorating conditions can produce a severe drag on the overall economy. In light of new capacity and upkeep needs for every State in the country, the current trajectory of the HTF—the backbone of Federal surface transportation program—is simply unsustainable as it will have insufficient resources to meet all of its obligations later this summer, resulting in steadily accumulating shortfalls.

Whichever revenue tools are utilized, at a minimum, it is crucial to identify solutions that will sustain the MAP-21 level of surface transportation investment in real terms. Given the devastating impact that potential delays on federal reimbursements to State DOTs combined with a virtual elimination of Federal surface transportation obligations in FY 2016 can have on the economy and construction industry employment, we look forward to assisting you and the rest of your House colleagues in finding and implementing a viable set of revenue solutions to the HTF not only for later this year, but for the long term.

Statement for the Record from **John F. Cox**
President, American Association of State Highway and Transportation Officials
Director, Wyoming Department of Transportation

EXHIBIT 7. SURFACE TRANSPORTATION REVENUE OPTIONS: ILLUSTRATIVE ANNUAL ESTIMATED YIELDS ($ BILLIONS)



**Based on the illustrative rate or percentage increase assumed in the summary matrix.*

Statement for the Record from **John F. Cox**
President, American Association of State Highway and Transportation Officials
Director, Wyoming Department of Transportation

Statement for the Record

U.S. House of Representatives Committee on Ways & Means
Hearing on the Long-Term Financing of the Highway Trust Fund

Wednesday, June 17, 2015

Chairman Ryan, Ranking Member Levin, and Members of the Committee:

On behalf of the American Council of Engineering Companies (ACEC) – the voice of America's engineering industry – thank you for holding this hearing today on options for providing long-term funding certainty for federal surface transportation programs. There are few more important topics that this committee will address this year, because federal investment in transportation infrastructure plays an essential role in protecting public health and safety, promoting commerce, and keeping America economically competitive.

We were heartened by the action taken by 285 Members of Congress – including 22 members of this committee – earlier this year to write to House leaders on the need to end the cycle of short-term extensions and do the work necessary to enact a sustainable, long-term solution to transportation funding.

As you know, nearly $63 billion has been transferred into the Highway Trust Fund since 2008 because of the failure to address systemic funding shortfalls with real revenue solutions. Absent congressional action, the balance of the Trust Fund will soon be depleted again, imperiling more state and local projects with continued uncertainty. More than $1 billion in planned improvements have already been cancelled or delayed because of the uncertainty over future federal contributions, and many more projects are sure to be shelved as this problem persists. These projects will only get more expensive due to the delay.

Engineering is a leading indicator of economic performance, particularly in the building and development sectors. When state and local transportation agencies can't develop long-term funding programs, our firms can't hire engineers or make equipment purchases necessary for planning, designing, and delivering those projects. When our firms aren't working on pre-construction activities, those projects can't move on to construction, which means fewer construction workers working, fewer machines being built and sold, less economic activity being generated, and ultimately, goods not getting to market and U.S. businesses not being competitive.

According to the ACEC Engineering Business Index quarterly survey of engineering firm CEOs (www.acec.org/publications/engineering-business-index/), nearly one in five respondents (19 percent) expect the transportation on market to worsen over the next year. Only 40 percent anticipate that public transportation markets will improve. In the Fall 2014 EBI survey, three in four respondents (77 percent) expressed doubt that the U.S. transportation infrastructure will regain its status as a world leader. This disheartening pessimism bodes poorly for the prospects of broader domestic economic growth, and it is firmly rooted in congressional failure to enact sustainable capital investments.

We recognize the need to look for new ways to fund road, bridge, and transit projects because of the long-term challenges posed by the rise in alternative-fueled vehicles and increased fuel efficiency. We have endorsed a range of options, including mileage-based user fees, widespread tolling, new freight charges, and revenues from increased domestic energy production. Numerous blue ribbon commissions have explored these options in depth, and they should all be on the table in your deliberations.

While they all have merit, the reality is that none of these options is a near-term solution for funding a six-year bill.

The simplest and most effective action Congress can take to stabilize the Highway Trust Fund is increasing and indexing federal gas and diesel taxes. These user fees have been the basis of the federal-aid program for decades, but failure to adjust the rates since 1993 has diminished their purchasing power by 40 percent and led to the fiscal crisis of the Trust Fund that we face today. A modest increase in motor fuels charges – a measure endorsed by highway users and the trucking industry representing those paying into the system – is a relatively small price to pay for improving safety, enhancing mobility, and ensuring American competitiveness.

The alternative is to continue on the same path of short-term patches, which is fiscally irresponsible, relying on government borrowing and budget gimmicks.

Continued instability and underinvestment in transportation infrastructure will only hamper economic growth. Deteriorating roads and bridges and worsening congestion have raised the price of doing business through increased maintenance costs, wasted fuel and delayed shipments. Last year, our economy was crippled by $121 billion in congestion costs, or $818 per U.S. commuter, and an additional $230 billion in economic costs from accidents. By contrast, every dollar invested in highway and transit development generates between $4-8 in economic output.

It is past time for Congress to advance a sustainable, long-term solution to the Highway Trust Fund, beginning with an increase in existing user fees that help pave the way for alternative solutions down the road. Our industry and our economy and our citizens cannot wait for a combination of unrelated tax changes that may or may not materialize later this year. Congress must act now, starting with action in this committee. Predictable and growing revenue sources, particularly user fees, will give state and local agencies the funding certainty they need to plan and deliver infrastructure investments that foster economic growth and enhance our quality of life.

ACEC members – numbering more than 5,000 firms representing more than 500,000 employees throughout the country – are engaged in a wide range of engineering works that propel the nation's economy and enhance and safeguard America's quality of life. The Council and its members stand ready to assist this committee in advancing long-term solutions to the infrastructure crisis facing our country.

Comments for the Record

Submitted to the

Committee on Ways and Means

U.S. House of Representatives

"Long Term Financing of the Highway Trust Fund"

June 17, 2015

Dear Chairman Ryan, Ranking Member Levin, and esteemed members of the Ways and Means Committee:

On behalf of the Highway Materials Group, we submit the following statement. The Highway Materials Group is composed of nine organizations that provide the materials that are essential to road and highway construction and the equipment manufacturers and distributors that move those materials. The group includes the American Coal Ash Association, American Concrete Pavement Association; Associated Equipment Distributors; Association of Equipment Manufacturers; Concrete Reinforcing Steel Institute; National Asphalt Pavement Association; National Ready Mixed Concrete Association; National Stone, Sand & Gravel Association; and the Portland Cement Association. Together, these nine trade associations represent thousands of companies that provide hundreds of thousands of direct highway construction jobs.

We are united around the common issue of a long-term, Federal-aid Highway authorization bill that both increases highway investments, and addresses the Highway Trust Fund with durable solutions that both stabilize and increase highway investments now and for the long-term.

Since 2008, the mantra of "doing more with less" has had grave implications for the transportation-construction industry, State transportation agencies, and the system of highways and bridges that every citizen depends upon for personal mobility, commodity flows, safety, and security in times when our system is tested in natural disasters and other emergencies.

We recognize the vast number of issues Congress must address. Investing in America's infrastructure should be a top priority for lawmakers. However, 33 extensions over the past 6 years and an unknown number of delays in transportation funding are causing not only the nation's system of highways and bridges to fall further into disrepair, but is crippling the ability of our economy to grow and prosper.

The American Society of Civil Engineers (ASCE) rates our overall infrastructure between poor and mediocre. Within ASCE's analysis, they report 1 in 9 of the nation's bridges are structurally deficient and 42 percent of urban highways are congested and cost the economy $101 billion in wasted time and fuel each year.

Our industries and our customers in the public sector have an extremely difficult time planning for the future, and there is great concern that without a firm commitment from Congress, backed by bold and decisive steps to fix the Highway Trust Fund and authorize a six-year transportation program, the nation's surface transportation infrastructure will fall further behind in terms of rehabilitation, repair, preservation and expansion.

The Highway Materials Group has four basic principles that we urge the Committee to consider. They include the following:

Transportation Infrastructure is the Backbone of America's Economic Prosperity—America's economic vitality and ability to compete in the global marketplace depends on an integrated national, intermodal surface transportation network that reliably moves goods and people to maximize global competitiveness, quality of life, and economic prosperity for all citizens. Unfortunately, the investments needed to maintain and expand the highway system have been inadequate. As a result, America is ill-prepared to meet the competitive demands of the global economy. To ensure economic prosperity and global competitiveness, the nation needs to invest in multi-modal transportation infrastructure systems that not only keep pace with today's businesses and industries, but also that will allow for the healthy expansion in the future.

The Federal Government Must Remain Committed and Involved— Maintaining a vital, national infrastructure has been a federal responsibility since the founding of the Republic. Congress is tasked with establishing "post roads", pre-cursors of today's national highway system, and regulating commerce among the states and with other nations. Commerce is the lifeblood of our nation's economy, and America's transportation infrastructure is its circulatory system. This network of roads and transportation structures – built by Americans employed in well-paying jobs that cannot be exported – is essential for the economic growth, safety, security, freedom of mobility, and quality of life benefiting every American. We oppose efforts to transfer this responsibility to the states as an unfunded federal mandate.

We Support User-Fee Based Funding Solution—In order to overcome the highway funding gap, we support the adoption of any user-fee based funding options and innovative finance tools to provide federal and state transportation departments with the funding they need to make critical investments in our transportation infrastructure. It is our contention that a user fee based funding approach, such as a motor fuel based user fee, is the most rational and easily implementable funding solution available in the short to medium term. Our position is consistent with that of President Ronald Reagan, who in 1982 noted: "Good tax policy decrees that wherever possible a fee for a service should be assigned against those who directly benefit from that service. Our highways were built largely with such a user fee – the gasoline tax. I think it makes sense to follow that principle in restoring them to the condition we all want them to be in." Moreover, we believe that continued extensions are not a solution, and is in fact the lease fiscally conservative approach to address this challenge.

Timeliness and Long-term Authorization Are Essential—The longer Congress delays in making the investments necessary to our highways, roads and bridges, the more difficult and expensive it will be for our nation to finance this critical and necessary endeavor. At a time when cost is paramount, Congress must act now. Timely enactment of a six year authorization bill is critical for state transportation departments to plan and budget for projects and for our industry to make critical business decisions.

In closing, Congress should embrace the opportunity to invest in America's infrastructure. It is the only way our economy will be positioned for success in a vibrant and growing global economy. America has the strongest economy in the world thanks to the investments made by a previous generation of American leaders who understood the value of infrastructure, and recognized that investing in roads and bridges is the best path toward prosperity for our great Nation. Many of America's critical highways and bridges have reached the end of the design life and must be rebuilt. Every day we delay making the necessary investments in our infrastructure exacerbates an already critical situation.

We thank the Committee for holding this important hearing on the long term health of the Highway trust Fund. We urge Congress to address the critical highway needs of the country and enact the revenue necessary to fund a multi-year surface transportation authorization now.

# # #

Association of Equipment Manufacturers
6737 West Washington Street
Suite 2400
Milwaukee, WI 53214

June 17, 2015

Chairman Ryan and Ranking Member Levin:

On behalf of the Association of Equipment Manufacturers (AEM) and the almost 900 manufacturers of construction, agriculture, forestry and mining equipment we represent, I want to thank you for offering this opportunity to submit a statement for the record explaining our industry's thoughts on financing the Highway Trust Fund.

The Highway Trust Fund, the federal government's primary tool for supporting critical investments in our surface transportation infrastructure, has now endured years of uncertainty because Congress has been unable to address a chronic shortfall driven by both inflation and vehicles' increasing fuel efficiency. AEM strongly urges Congress to end the cycle of delays and borrowing and develop a long-term solution for the trust fund; we sincerely hope today's hearing will offer a productive opportunity to move toward that important goal.

However, I want to use this opportunity to explain the effects of uncertainty on equipment manufacturers, and outline our industry's perspective as it relates to financing a long-term highway bill.

The negative effects of repeated patchwork fixes to the Highway Trust Fund are reverberating throughout our economy, and would only be exacerbated if Congress adopts another short-term fix instead of a long-term solution.

The short-term bills adopted by Congress in recent years have sapped state government planners of their ability to make long-term capital investment plans. Beyond depriving states of their ability to improve their infrastructure, that means that jobs are being lost as states defer or cancel bids for projects.

What that means for our manufacturers is depressed demand for equipment that would otherwise be used to help rebuild our surface transportation infrastructure, the backbone of our economy. It also means that our roads and bridges continue to deteriorate, meaning that there's less ability for farmers to move their products to market, or for manufacturers to sell their products across the country, or overseas.

Though the manufacturing economy has recovered steadily from the depths of the Great Recession, the absence of a long-term highway bill continues to serve as a restraint on our industry from unleashing its full potential. To make matters worse, this is an avoidable problem, and Congress has available solutions to fix this matter.

The most obvious solution would be to modestly adjust the federal surtax on gasoline and diesel to make up for its diminished buying power when it was last adjusted in 1993. The gas tax is a straightforward user fee espoused by no less a conservative than President Ronald Reagan. It remains the most simple and straightforward way to assure that those who incur use of our roads pay for their maintenance.

But while we favor adjusting the gas tax, we also acknowledge the political difficulties associated with raising this tax and the fact that the chairman of this committee has all but ruled out such a solution.

AEM believes that it is too premature to rule out most solutions for addressing this vexing problem. A bipartisan duo on this committee, Reps. Jim Renacci (R-Ohio) and Bill Pascrell (D-N.J.), have put forward a creative proposal that would essentially force Congress to confront this problem and develop a long-term solution for the trust fund and impose automatic adjustments to the gas tax if lawmakers fail to reach a consensus.

One “solution” we would reject, though, would be any proposal to “devolve” the federal highway program to the states. These proposals ignore the original intent of the Highway Trust Fund: to promote interstate commerce and preserve a strong nationwide infrastructure for national security purposes. Put bluntly, no one outside of a few extreme, DC-based partisan interest groups favor devolution: Not mayors or governors or industry groups. Devolving the federal highway program would lead to inconsistent maintenance and repairs and limit the federal government’s ability to set long-term nationwide priorities for our surface transportation infrastructure.

AEM also recognizes that the debate over the Highway Trust Fund right now is deeply tied into congressional deliberations over whether to reform our nation’s tax code. AEM favors comprehensive tax reform that streamlines corporate taxes and helps manufacturers stay globally competitive. But we also ask that lawmakers be honest with themselves about the likelihood of advancing such difficult legislation during this Congress. Tax reform is an incredibly worthy goal, but it shouldn’t have to come at the expense of the Highway Trust Fund, which is already urgently in need of a solution.

As this debate moves forward, AEM would respectfully ask members of this committee and the whole Congress simply for their ideas. We can’t afford for lawmakers to hold forth any longer on their ideas for fixing the Highway Trust Fund. The time has come for members of Congress from both parties to come together and put forth their best and most innovative solutions for ensuring our nation’s infrastructure needs will be addressed for another generation.

Put forward proposals, and debate their merits. Inaction is simply no longer an acceptable solution for AEM and its members, which is why we urge this committee to move toward passing a long-term, sustainably-funded highway bill as soon as possible.

Sincerely,

Dennis Slater
President
Association of Equipment Manufacturers (AEM)

AGC of America
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
Quality People. Quality Projects.

Statement of The Associated General Contractors of America

Presented to the

House Committee on Ways and Means

on the topic of

Long-Term Financing of the Highway Trust Fund

June17, 2015

The Associated General Contractors of America (AGC) is the largest and oldest national construction trade association in the United States. AGC represents more than 26,000 firms, including America's leading general contractors and specialty-contracting firms. Many of the nation's service providers and suppliers are associated with AGC through a nationwide network of chapters. AGC contractors are engaged in the construction of the nation's commercial buildings, shopping centers, factories, warehouses, highways, bridges, tunnels, airports, waterworks facilities, waste treatment facilities, dams, water conservation projects, defense facilities, multi-family housing projects, site preparation/utilities installation for housing development, and more.

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
2300 Wilson Boulevard, Suite 300 • Arlington, VA 22201 • Phone: (703) 548-3118 • FAX: (703) 837-5407

Introduction

Mr. Chairman and Members of the Committee, AGC represents more than 26,000 firms, including over 6,500 of America's leading general contractors, and over 9,000 specialty-contracting firms. More than 10,500 service providers and suppliers are also associated with AGC, all through a nationwide network of chapters. These firms, both union and open shop, engage in the construction of buildings, shopping centers, factories, industrial facilities, warehouses, highways, bridges, tunnels, airports, water works facilities, waste treatment facilities, dams, water conservation projects, defense facilities, multi-family housing projects, municipal utilities, and other improvements to real property. Most are small and closely held businesses.

Since the creation of the Interstate Highway System in 1956, the Highway Trust Fund has been supported by revenue collected from users. This 'pay-as-you-go'system has served America well, allowing States to plan, construct and improve America's surface transportation infrastructure. AGC has long-supported maintaining the user-fee model for providing Highway Trust Fund revenue – including taxes on gasoline and diesel fuel – and encourages Congress to act immediately to provide the revenue necessary to fill the Highway Trust Fund revenue gap we will face this summer and beyond. User fees and taxes have not been increased in over twenty years. Since 2008, the revenue going into the Highway Trust Fund has fallen short of what is needed to address America's infrastructure needs and keep funding at existing levels. This has resulted in the Highway Trust Fund receiving over $63 billion in transfers from the general fund simply to meet its obligations.

Immediate Highway Trust Fund Shortfall

According to the Congressional Budget Office (CBO) the Highway Trust Fund will be unable to meet all of its obligations in July or August. CBO also estimates that with no change in estimated receipts into the Highway Trust Fund, in 2016, all of the revenue credited to the fund will be needed to meet obligations made before that year. Simply put, without additional revenue the trust fund will be unable to support any new federal obligations in 2016, resulting in a 100 percent cut to new highway and transit funding. In order to avoid such draconian cuts and simply maintain current funding levels, $16 billion in additional revenue either through a gas tax increase or other user related fees or a transfer from the general fund will be necessary. According to CBO, the gap between trust fund receipts and obligations beyond 2016 is $11 to $18 billion annually.

Need for Certainty

Because of the current state of trust fund finances, Congress must take steps to maintain certainty in program continuity. The construction industry makes decisions about investments in new equipment and in retaining and training a workforce based on its best projection about where the market will be over the long term. Without the knowledge that a continuous and growing market is on the horizon, contractors will not make the investments necessary to carry out this program's objectives. This is particularly true for small businesses, which typically have less operating capital to invest, thus are more risk-adverse with their capital. This trait is also magnified by the economic conditions, which make risk reduction a company's top priority. This hurts the program as much as it does the industry. Efficiency and productivity increases when contractors can project a steady future market in which to work. This helps lower costs, and allows for a better constructed project because new equipment and improved technology improves the final project.

The stop gap funding measures since 2008 have caused uncertainty in the transportation construction market place. Congress's inability to make the difficult decisions and provide real, growing and sustainable revenue for the Highway Trust Fund has resulted in states throughout the county delaying or cancelling much needed transportation construction projects. AGC members from Georgia to Wyoming, Tennessee and South Dakota among others are seeing their state departments of transportation let fewer and fewer jobs. Nearly $2 billion in vital transportation construction projects has been delayed or cancelled because Congress will not act and fix the Highway Trust Fund.

Federal Role

Not only has Congress failed to act on addressing the solvency of the Highway Trust Fund, some want to strip away most federal funding for surface transportation projects, essentially eliminating the federal government's constitutionally mandated role in promoting interstate commerce (commonly known as devolution). Legislative proposals such as the Transportation Enhancement Act (TEA) would reduce funding for the federal-aid highway program by more than 80 percent, with no consideration of the impact on state and local governments or private industry. It also calls for the elimination of the federal transit program, taking more than $8 billion from state and local public transportation agencies, which rely on federal funds for more than 43 percent of their capital spending.

While TEA purports to retain a federal role in maintaining the Interstate System, according to the U.S. Department of Transportation (U.S. DOT), Interstates require at least $17 billion in annual investment to simply sustain current levels of maintenance, and more than $33 billion per year to improve system conditions. Furthermore, the National Highway System, which carries 55 percent of total vehicle miles traveled and 97 percent of truck miles, also requires an annual investment of $75 billion, according to U.S. DOT. TEA doesn't "empower" states; it burdens them with 90 percent of the fiscal responsibility for supporting highways that the federal government currently helps to maintain. It would also have a devastating impact on public transportation systems that help to alleviate highway congestion, reduce emissions and provide critical transportation options to underserved populations.

A further burden on states lies in the amount of revenue that they would have to raise to replace the absence of federal transportation funding. On average federal dollars are responsible for 52 percent of states capital budgets for transportation. If states replaced the lost revenue with an increase in their fuel taxes, on average their gas taxes would have to increase by roughly 23 cents by 2020 and some states would have to raise their taxes by more than 30 cents just to maintain the current level of funding.

TEA and other "devolution" proposals do not bring any new money to the table so they are not a solution to the long-term transportation needs of our county. Congress must continue to reject such proposals and instead work in a bipartisan, bicameral way to enact a long-term sustainable revenue source for the Highway Trust Fund.

Motor Fuels Tax

AGC believes that there is no easy solution for addressing our transportation investment deficit. The level of investment provided by the Highway Trust Fund should be increased to address mounting needs. An increase in revenue is necessary just to keep up with inflation additional funding is also needed to address the backlog of transportation investment needs. Numerous authoritative reports have come to the conclusion that, for the foreseeable future, the federal motor fuels tax is the best method for funding transportation infrastructure investment and that the motor fuels tax needs to be increased. SAFETEA-LU established two national commissions to look at the future of the federal transportation programs and to make recommendations on paying for these needs into the future. Both Commissions were appointed with bi-partisan membership and included transportation experts and individuals representing businesses and other users of the system.

In 2011, the Simpson Bowles Commission recommended a 15-cent per gallon gas and diesel tax increase plus inflation. In addition to Simpson-Bowles, Congressman Early Blumenauer (D-OR) has introduced legislation (H.R. 680) that would increase the gas tax by 15 cents over 3 years (it currently has 32 cosponsors) , while Congressman Jim Renacci (R-OH) and Congressman Bill Pascrell (D-NJ) have a bill (H.R. 1846) that would pay for the next surface transportation authorization with indexing the current gas and diesel taxes to inflation and subsequently increasing them by an amount that would maintain current finding levels if Congress failed to address the long-term solvency of the Highway Trust Fund (31 cosponsors). AGC supports all three of the above proposals.

AGC Recommendations

Recognizing the need to look at all viable options to fund the highway trust fund, AGC along with our partners in the Transportation Construction Coalition (TCC) have been advocating for over a year that Congress look at other revenue options – that maintain the user-pays model – that would be viable. This is our all of the above approach.

The chart below (and attached at the end) shows the $102 billion shortfall from 2015-2020 between the revenue going into the Highway Trust Fund and projected outlays of the fund assuming current funding levels plus inflationary increases. The TCC is proposing a combination of new and existing user fees currently being collected at the federal and state level as options to the 6-year shortfall and create a basis for much needed future growth. In addition, we look beyond 2020 and provide the next generation of revenue options to fund growth that addresses the needs of our transportation network.

The proposed revenue options include:

- **Dedicating 15 percent of Custom Duties currently collected to the Highway Trust Fund** – The U.S. has recognized the connection between infrastructure investment and international commerce since the Lighthouse Act of 1789 during the first Congress. Customs duties are imposed at varying rates on various imported goods passing through US international gateways and currently go to the General Fund of the US Treasury. A number of interest groups as well as the SAFETEA-LU policy commission have suggested that given the role transportation infrastructure plays in facilitating the import of goods, a portion of current customs duties should be allocated to support transportation investment.
- **$5 Driver License Fee** - The annual driver's license fee would be a federal surcharge on current state license fees. All states charge a fee which in some cases simply covers the cost of administering the licensing programs. In many states however, license fees also are used as a source of funding for transportation or other purposes. Currently 48 states have a registration fee and all but a handful use the proceeds for road improvement projects. This fee, as with others, should be indexed to CPI for inflation.
- **$5 Light Duty Tire Tax - –** Similar to the existing heavy vehicle tire fee, this fee would apply to tires that do not exceed maximum capacity of 3,500 pounds. This would be a national tire tax on both new cars and replacement tires. This fee, as with others, should indexed to CPI for inflation.
- **Increase Heavy Vehicle Use Tax** - Currently this tax is levied on all trucks 55,000 pounds Gross Vehicle Weight (GVW) or greater. The tax rate is $100 plus $22 for each 1,000 pounds of GVW in excess of 55,000 up to a maximum annual fee of $550 (thus all trucks with GVW greater than 75,000 pounds pay the maximum).
- **$10 Light Duty Registration Fee** - All states impose annual vehicles registration and related fees, and at least half the states raise more than a quarter of their

dedicated transportation revenues through this mechanism. The structure of the registration fee varies widely, from a flat per vehicle fee to a schedule of rates based on factors such as vehicle type, weight, age, horsepower, and value. This increase in would apply a federal surcharge to state registration fees. We propose that this and all other fees are indexed to CPI.

- **10 Cent Diesel Tax Increase -** Increasing the tax on diesel only is modeled after the inland water ways trust fund proposals that was included the ABLE Act which was signed into law last December. The barge operators convinced Members of Congress to increase the fuel tax that they pay to fund infrastructure investment.
- **Index Diesel & Gas Tax –** When these user fees were last increased in 1993 they did not include any adjustments for inflations. If you measure the federal gas tax rate today relative to road construction costs, the tax has lost 38 percent of its value since 1993.
- **Oil Leasing on Federal Lands –** Expanding oil and gas drilling on federal lands and in the Outer Continental Shelf and dedicating the royalties to the Highway Trust.
- **Deemed Repatriation -** Some members of Congress have proposed to tax the profits of U.S. corporations on earnings made outside of the United States. Several different ways have been suggested on how to accomplish this, including a "tax holiday." This proposal is for "deemed repatriation", taxing corporate profit made outside the U.S. at an 8.75 percent rate, regardless of whether the profits are returned to the U.S.

Again, if Congress continues to fail to increase the user fees for gasoline and diesel fuel, they should look to these options as alternatives that would maintain the traditional user pays model for our federal transportation programs.

Conclusion

AGC believes that the federal government should double-down on its infrastructure investment, not reduce it or shift the responsibility to the states. The long-term benefits from transportation investment are well documented. Every dollar invested in Highway Trust Fund programs returns 74 cents in tax revenue and adds $1.80 to $2.00 to Gross Domestic Product (GDP). The "user fee" principle is well respected and easily understood. The Highway Trust Fund concept of fiscal responsibility served the country well for fifty years until the Congress decided it was more acceptable to take money from the general fund than increase the user fee to cover the annual expenditures from the Highway Trust Fund. The United States has face the reality that they have been under investing in our transportation systems for far too long and the impact is now being felt in every state and in most towns. With the interstate system beyond capacity and design life, this underinvestment is costing U.S. businesses and individual's time and money. Providing continued support for traditional funding mechanisms and finding new user based options is necessary to address this dire situation.

Reauthorization Funding Options

2015 – 2020
Provide 6-Year Funding Security to Create Basis for Growth

Current spending + inflation:	**$330 Billion**
Projected Highway Trust Fund revenue:	**$228 Billion**
Shortfall:	**$102 Billion**

Proposed Revenue Options

Dedicate 15% Customs Duties/HTF*:	$ 34.98 B
$5 driver license fee*:	$ 6.98 B
$5 light duty tire tax*:	$ 10.60 B
Increase heavy vehicle use tax*:	$ 6.84 B
$10 light duty Reg. fee*:	$ 15.41 B
10 cent diesel tax increase:	$ 27.76 B
Index diesel tax:	$ 5.22 B
Index gas tax:	$ 10.87 B
Oil leasing fees federal lands*:	$ 14.25 B
Deemed Repatriation:	$ 93.60 B
Total New Revenue:	**$226.51 B**

Or

15 cent increase in gas and diesel taxes:
$160 B

Or

Phase in of items listed here

*Indexed for inflation

2020 – 2030
Next Generation Revenue Options to Fund Growth that Addresses Actual System Needs

Needed to improve performance:	**$936 Billion**

Potential Future Revenue Options

Distance traveled fee
Energy extraction fee
Energy transmission fee
Freight fee (such as customs duties, container fee and freight fee)
Gas equivalent fee for electric vehicles
LNG export fee
Repatriation of corporate profits
Per barrel oil fee
Transit fee

3/13/2015 **Explanation of Shortfall and Revenue Options on Reverse**

Explanation of Shortfall and Revenue Options

Shortfall – The 2015-2020 shortfall represents the discrepancies between the revenue going into the HTF and the projected outlays of the trust fund assuming current funding levels plus inflationary increases. The Congressional Budget Office projects that without Congressional action the HTF will be unable to meet all of its obligations in 2015 and will be unable to support any new projects in fiscal year 2016.

Revenue Options – TCC is proposing a combination of new and existing user fees currently being collected at the federal and state level as options to fill the 6-year HTF shortfall and create a basis for future growth. States that are currently using various fees for transportation revenue include:

- 48 States w/ Vehicle Registration, License or Title Fees
  - *CA, DC, GA – do not have any such fees*
- 37 States w/ Vehicle or Truck Weight Fees
  - *DE, DC, FL, GA, ID, IN, IA, MA, MI, NE, OK, PA, RI, SC, WV – do not have any such fees*
- 23 States w/ a Vehicle Sales Tax
  - *AK, AZ, CT, FL, HI, IL, KY, MD, MN, MO, MT, NE, NV, NJ, NM, NY, NC, ND, SD, UT, VA, VT, WV*

Explanation of Revenue Options

(EXISTING) Customs Duties – Customs duties are imposed at varying rates on various imported goods passing through US international gateways and currently go to the General Fund of the US Treasury. A number of interest groups as well as the SAFETEA-LU policy commission have suggested that given the role transportation infrastructure plays in facilitating the import of goods, a portion of current customs duties should be allocated to support transportation investment.

(NEW) Drivers License Fee – The annual driver's license fee would be a federal surcharge on current state license fees. All states charge a fee which in some cases simply covers the cost of administering the licensing programs. In many states however, license fees also are used as a source of funding for transportation or other purposes. Currently 48 states have a registration fee and all but a handful use the proceeds for road improvement projects. This fee, as with others, should be indexed to CPI for inflation.

(NEW) Light Duty Tire Tax – Similar to the existing heavy vehicle tire fee, this fee would apply to tires that do not exceed maximum capacity of 3,500 pounds. This would be a national tire tax on both new cars and replacement tires. This fee, as with others, should indexed to CPI for inflation.

(EXISTING) Increase Heavy Vehicle Use Tax – Currently this tax is levied on all trucks 55,000 pounds Gross Vehicle Weight (GVW) or greater. The tax rate is $100 plus $22 for each 1,000 pounds of GVW in excess of 55,000 up to a maximum annual fee of $550 (thus all trucks with GVW greater than 75,000 pounds pay the maximum).

(EXISTING) Heavy Duty Truck Tire Tax – Applies to tires with a maximum load rated over 3,500 pounds. The current tax is 9.45 cents for every 10 pounds of maximum capacity that exceeds the 3,500 threshold. The maximum was last increased in 1982 and was actually lowered in 1984. This fee, as with others, should indexed to CPI for inflation.

(NEW) Vehicle Registration Fee – All states impose annual vehicles registration and related fees, and at least half the states raise more than a quarter of their dedicated transportation revenues through this mechanism. The structure of the registration fee varies widely, from a flat per vehicle fee to a schedule of rates based on factors such as vehicle type, weight, age, horsepower, and value. This increase in would apply a federal surcharge to state registration fees. We propose that this and all other fees are indexed to CPI.

(EXISTING) Diesel Fuel Tax Increase – Increasing the tax on diesel only is modeled after the inland water ways trust fund proposals that were included in the House draft for tax reform, the president's budget and the Senate Finance committee extenders package. The barge operators have convinced members of congress to increase the fuel tax that they pay to fund infrastructure investment.

(NEW) Deemed Repatriation – Some members of Congress have proposed to tax the profits of U.S. corporations on earnings made outside of the United States. Several different ways have been suggested on how to accomplish this, including a "tax holiday." This proposal is for "deemed repatriation", taxing corporate profit made outside the U.S. at an 8.75 percent rate, regardless of whether the profits are returned to the U.S.

Hearing on the Highway Trust Fund
Committee on Ways and Means
Select Committee on Revenue Measures
U.S. House of Representatives

Testimony for the Record

By Gregory Cohen, P.E.; President & CEO
American Highway Users Alliance

The American Highway Users Alliance (The HwyUsers) is a non-profit coalition that represents AAA motoring clubs, trucking and bus companies, the RV and motorcycle industries, and a diverse range of companies and associations that fund the Highway Trust Fund through user taxes. Our members represent millions of motorists and employers who want our roads to be safe, efficient, and reliable.

Although we represent road users, we strongly support the principle that users should pay their own way for infrastructure improvements. In return for fully funding the Highway Trust Fund, road users deserve to benefit directly from guaranteed investments in roads and bridges through multi-year highway bills. This type of system has traditionally enabled the United States to outperform competitors by efficiently moving logistics over our vast network of toll-free Interstate highways. It is hard to imagine how much poorer our country would be without the investments of the past generation into modern roads.

The federal role in road funding and the user-pays / user-benefits principle has been an important, principled approach to investment. The conservative user-fee concept dates back as early as 1776, when British philosopher and political scientist Adam Smith endorsed national funding of roads in *The Wealth of Nations*, provided that users pay their costs.

From 1956 to 2008, the Highway Trust Fund was exclusively funded with user taxes. Since 2008, deficits have repeatedly threatened the solvency of the fund. Congress has responded by voting time and again to prevent highway funding cuts. At the same time, Congress has failed to find a fiscally sustainable solution to the revenue shortfall. Over $60 billion in transfers from the General Fund of the Treasury has kept highway funding flat – preventing cuts but also creating doubts as to the ability of Washington to pass a long-term highway bill that can fund the major highway and bridge projects critical to public safety, economic growth, freight reliability, and congestion relief. Without a sustainable solution, State transportation departments can't plan and implement the most important projects.

As Congress debates a path forward to funding a long-term six-year highway bill, we would be grateful for almost any source of funding to reverse the decline in our road conditions. But Congress should do more than prevent cuts; it should fairly raise enough revenue to make significant inroads in the backlog of national highway and bridge needs.

We urge Members to renew their historic support for the user fee approach to restore a sustainable Highway Trust Fund. We urge policymakers in other Committees to ensure that the programs are transparent, environmental reviews are streamlined, and wasteful diversions are minimized or eliminated. If Congress is to raise the funds to sustain a national highway program, the spending out of that fund must be focused on addressing our major national highway needs. We urge Members to consider the findings of two separate Congressionally-chartered commissioned that studied these issues over the past decade and develop a long-term financial sustainability model of growing the trust fund with user-based revenue.

In closing, what is currently occurring would certainly have embarrassed Presidents Lincoln, Eisenhower, and Reagan – all of whom envisioned and supported a major federal role for transportation infrastructure. It is time for a bold, brave and bipartisan solution and this Congress can certainly get it done.

The members and staff of The Highway Users look forward to working with Members of Congress to restore and grow the Highway Trust Fund and urge immediate action to enact a long-term highway bill this year. Thank you for the opportunity to submit these comments into the record.

June 22, 2015

Honorable Rep. Paul Ryan
Chairman
U.S. House Ways & Means Committee
1102 Longworth House Office Building
Washington, D.C. 20515

RE: Long-Term Financing of the Highway Trust Fund

Dear Committee Members:

Hello, my name is Andrew Wells. I am a graduate student at the University of Delaware studying structural engineering and bridge design. Specifically, my graduate thesis deals with evaluating the structural capacity of in-service bridges. As I am sure you are aware, one in every 11 bridges in the United States is classified as structurally deficient. While this and other infrastructure deficiencies are a safety issue to some extent, I believe the overarching concerns with the current state of the nation's transportation network are economic in nature. Consequently, addressing revenue problems associated with the Highway Trust Fund (HTF) is of utmost importance for securing the country's long term economic success.

As I mentioned, I am currently performing research on the structural evaluation of bridges. In particular, I am attempting to show that a very specific type of bridge structure, known as a box culvert, has the capacity to carry more load than the bridge design code currently allows. The reason being that many of these structures require weight restrictions and would hinder the local economy in Delaware, should they be closed to heavy traffic. When looking at the national infrastructure, I am concerned that bridges of national economic significance (i.e. on critical freight corridors) will soon necessitate similar limitations. However, these structures are not in the same position as box culverts, where research would drastically change the loads they are allowed to carry. Should current conditions continue to deteriorate, the repercussions I am seeking to avoid in Delaware—namely the rerouting of trucking routes—will come to fruition on a national scale, costing businesses and consumers hard earned money. For that reason, I believe that transportation funding as well as spending must increase.

When examining transportation trust funds, such as the Harbor Maintenance Trust Fund and the Inland Waterways Trust Fund, they are alike in that they rely on user fees to support their maintenance and expansion. I believe this is an essential pillar of transportation funding because it draws revenue from the source of its damages. Currently, there are several ideas as to the most effective means of charging highway users, however in the current debate I support raising fuel taxes because insolvency is only weeks away. If revenue is to be raised in the immediate future, Congress must implement a system that has been proven. In my opinion, that system is taxing gasoline and diesel fuels.

In addition to raising fuel taxes, I also support adjusting them to the Consumer Price Index (CPI). According to the Congressional Budget Office, the buying power of fuel taxes has decreased by nearly 40 percent over the last twenty years due to inflation. That amounts to 14 billion dollars today and suggests that the current funding problems would not exist had fuel taxes been indexed beginning in 1995. Furthermore, I feel that the spirit of the law is to keep taxes the same in constant dollars over time. If Congress agrees today that infrastructure needs require a certain level of taxation, I feel that the effective rate of taxation should be the same next year and the year after, regardless of inflation.

Over the past two decades, Congress has averaged about one short term transportation funding extension per year. This pattern must stop so that transportation agencies around the country can adequately plan and execute complex transportation projects. Moving forward, I believe raising fuel taxes by 18 cents and indexing them to CPI will not only give agencies the ability to rely on the federal government, but will also help advance our economy into the next era of growth and prosperity. Thank you very much for your time and consideration.

Most Sincerely,

Andrew Wells
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awells@udel.edu

MICHAEL P. MELANIPHY
PRESIDENT AND CEO
AMERICAN PUBLIC TRANSPORTATION ASSOCIATION (APTA)
SUBMITTED TO
THE HOUSE COMMITTEE ON WAYS AND MEANS
Hearing on the Long-Term Financing of the Highway Trust Fund
June 17, 2015

Mr. Chairman and members of the Committee, thank you for this opportunity to submit written testimony on ideas to provide a sustainable long-term solution to the highway trust fund shortfall. Public transportation systems across the country form an interconnected system of national significance that links our regions, urban and suburban centers, and rural communities. This integrated network of public transportation services is an essential component of our nation's overall transportation system. Public transportation provides mobility that significantly contributes to national goals for global economic competitiveness, congestion mitigation, energy conservation, environmental sustainability, and emergency preparedness. APTA urges the Committee to increase the dedicated revenues that go into the Highway Trust Fund, so that Congress can pass a surface transportation bill that provides predictable funding growth under a multi-year authorization bill.

ABOUT APTA

The American Public Transportation Association (APTA) is a nonprofit, international association of nearly 1,500 public and private member organizations, including transit systems and commuter, intercity and high-speed rail operators; planning, design, construction, and finance firms; product and service providers; academic institutions; transit associations and state departments of transportation. APTA members serve the public interest by providing safe, efficient, and economical public transportation services and products. More than ninety percent of the people using public transportation in the United States and Canada are served by APTA member systems. In accordance with the National Infrastructure Protection Plan, APTA has been recognized by the Department of Homeland Security as serving in the capacity of the Mass Transit Sector Coordinating Council (SCC).

OVERVIEW

Public transportation exists in all 50 states and the District of Columbia and U.S. territories. The nation's public transportation systems are an integral part of the nation's surface transportation system. Transit provides an alternative way to get to jobs, education, healthcare and social activities in every community, it improves the efficiency of the existing roadway system in metro areas by reducing the number of cars on the road and the resulting traffic congestion. Less congestion reduces costs for businesses that transport goods and consumers who buy those goods. Public transportation is important to communities of all sizes, from large metropolitan regions to small cities and rural communities. Less urban states and smaller cities depend on the federal transit program to pay for a larger share of their transit capital investments than more urban areas, and they also rely on federal funds to pay for an important share of the costs associated with providing service.

To meet the demands of our nation's aging infrastructure network, growing urban population, and changing travel and commuting patterns, a renewed long-term federal commitment to public transportation is essential. Currently, system needs far surpass resources from all levels of government. At the federal level, fuel taxes dedicated to the Mass Transit Account of the Highway Trust Fund, last raised in 1993, have lost more than 37 percent of their purchasing power. APTA urges the Committee to increase the dedicated revenues that go into the Highway Trust Fund, so that Congress can pass a surface transportation bill that provides for the growth of predictable federal funding under a multi-year authorization bill.

Since the expiration of TEA-21 in 2003, we have now had 25 short-term extensions, lasting a little more than four years authorization under SAFETEA-LU, and a bit more than two years under MAP-21. More recently, federal transit funding has grown only minimally, from $10.231 billion in FY 2009 to $10.692 billion in FY 2014. The uncertainty of recent federal authorizing laws and lack of predictable funding of the federal transit program have made it nearly impossible for the industry to keep the system in a state of good repair, replace the aging infrastructure and fleets, and address the growing demand for service. Short-term authorizations increase project costs and decrease certainty for long-term planning.

While growing communities compete for limited funds to build a variety of new fixed guideway systems (BRT, light rail, trolley, heavy rail and commuter rail), and transit ridership continues to grow, the deterioration of our systems adversely impacts both efficiency and safety. The U.S. DOT now estimates that we have an $88 billion backlog in the state of good repair of public transportation capital investment needs. And this backlog doesn't even include the annual cost of maintaining the current system, like replacing aging buses, rail cars, vans, buildings, bridges and stations; the cost of building new capacity; and the more than $3 billion in costs to install positive train control systems at the nation's commuter railroads.

While spending for public transportation is paid mostly by fares that riders pay, as well as state and local funding, the federal government is an essential partner in this process. While federal funding supports 19.2% of all spending on public transportation, 44.4% of all capital spending for transit comes from the federal government. However, according to the CBO, the decline in real spending on transportation infrastructure has occurred at all levels of government, but it has been the greatest at the federal level. Yet, federal funding is critical as it helps to ensure that locally-derived benefits are fully integrated into the national multimodal transportation network that is so essential to ensuring U.S. competitiveness in our global economy.

These are some of the reasons that APTA has urged Congress to enact a long-term authorization bill that grows federal funding for public transportation. We strongly support the preservation of the federal transit program, and we support an increase in the dedicated revenues that go into the Highway Trust Fund for both the Mass Transit and Highway Accounts. It is estimated that more than $90 billion in new revenues is needed just to maintain current public transportation and highway programs, and APTA strongly believes that there is a need to grow current federal investment levels for transit. We need a revenue stream that supports growth of the federal programs, as flat funding at current levels will not permit transit to adequately address the growing backlog of capital needs or the growing demand for transit service. It should come as no surprise that we strongly oppose efforts to devolve the federal transit or highway programs to the states. Public transportation is an essential part of the overall surface transportation system, and given our growing population and increasing congestion on our roadways that program is more important than ever.

We know transit ridership is growing, we know the nation's population is expected to grow significantly, and we believe that the demand for public transportation service in our communities will continue to grow. Nationally, public transportation ridership continues to set record levels. In 2014, people took a record 10.8 billion trips on public transportation—the highest annual ridership number in 58 years. Some public transit systems experienced all-time record high ridership last year. This record ridership didn't just happen in large cities. It also happened in small and medium size communities. In fact, some of the biggest gains came in towns with less than 100,000 people with ridership growth of double the national average. This record growth in ridership occurred even when gas prices declined by 42.9 cents in the fourth quarter. From 1995-2014 public transit ridership increased by 39 percent, almost double the population growth, which was 21 percent. The estimated growth of vehicle miles traveled was 25 percent. This proves that once people start riding public transit, they discover that there are benefits over and above saving money.

Our failure as a nation to adequately invest in this essential element of our surface transportation system will only cost the nation more in the long run. Conversely, investment in public transportation will help support a healthy, growing economy, facilitating the efficient movement of goods and people, and stimulating economic development in communities served by vibrant public transportation systems.

One only needs to ride a train or bus during the morning commute to recognize the growing demand, and to experience firsthand the strains that that demand is placing on systems. The demand and support for public transportation is also reflected at the ballot box. Last year, 69 percent of ballot initiatives seeking taxpayer support for transit investment were approved by voters. Clearly, citizens are willing to pay for improved transit service. These local ballot initiatives confirm the stability of the local partnership, but they are not a substitute for the federal partnership.

RETURN ON THE FEDERAL INVESTMENT

For every dollar we invest in public transportation, we generate about $4 in economic returns. And $1 billion in federal transit investment fosters productivity gains that create or sustain 50,000 jobs. It is important to note that 73% of federal transit capital funds flow through the private sector. In fact, much of the bus and rail equipment is manufactured in rural areas and provides high wage jobs in those communities. For example, bus original equipment manufacturers have plants located in Alabama, North Dakota, Kansas, Minnesota, South Carolina, California and upstate New York. Rail Cars are manufactured in places like Nebraska, Idaho, Illinois, and Pennsylvania. Components and subcomponents are being manufactured all across this country. As these investment metrics make clear, local and regional transportation improvements yield national benefits.

On a very fundamental level, federal transportation funding keeps this economic engine running, as transit agencies can only plan and advance large, multi-year capital projects when they can be confident the resources will be there when they are ready to break ground.

APTA PROPOSAL

To ensure the reliable, long-term funding best suited to infrastructure investment, APTA urges Congress to enact a 6-year, $100 billion authorization for the federal transit program that includes robust funding to grow the program from $10.7 billion in the current year to $22.2 billion in 2021. Revenues into the Highway Trust Fund (HTF) must increase to support this much needed growth.

Additionally, we see this moment in time as an ideal opportunity to establish a dedicated revenue stream for intercity passenger rail, separate from the revenues required for the Highway Trust Fund and Mass Transit Account. Like public transit, intercity passenger rail is experiencing ridership growth and increased demands for public service in corridors throughout the country. We have asked that Congress provide $50 billion over the next six years to facilitate the development of a national high-speed and intercity passenger rail system.

APTA's surface transportation authorization recommendations are based on needs identified in eight categories of equipment and facilities funded under the current federal program. They are based on the need for six-year investment from all sources—fares, local, state, and federal—of $245 billion. APTA's investment requirements include the cost of bus replacements, demand response vehicles, rail vehicles, state-of-good-repair spending, New Starts and core capacity projects, and other costs. And they reflect investment requirements in states, cities and communities across the country.

APTA recommends that Congress take the necessary steps to restore, maintain and increase the purchasing power of the federal motor fuels user fee to support a significant increase in the federal investment for the public transportation program. In addition, in order to meet the full range of funding needs, APTA supports the use of other financing strategies to meet the investment goals.

First and foremost, funding must be sufficient to address the capital investment needs dictated by the nation's population growth, economic and personal mobility needs (including the reduction of traffic congestion), environmental and sustainability needs, and of our aging population. While meeting our capital expansion needs, funding must also be sufficient to address issues of state of good repair across so many of our aging public transportation systems nationwide.

It is important to note that there are differences between funding and financing when it comes to transportation infrastructure projects. Funding options are those that generate revenue streams and financing options leverage revenue streams. Financing options are programs or instruments that leverage revenue streams as a way to move many infrastructure projects forward, especially significantly large and expensive projects. Without adequate funding sources, states and local governments cannot take full advantage of the financing tools available. Additionally, financing options may not be practical or available for every infrastructure project.

Unfortunately, current revenues going into the Highway Trust Fund are $15-16 billion short of what is needed annually just to fund current transit and highway programs. Since the expiration of the SAFETEA-LU authorizing law in 2009, federal funding has grown by less than one-half percent while demand for transit service has grown and the cost of restoring the existing systems to a state of good repair has grown to $88 billion.

Second, it is imperative that the funding for transportation investment be stable and reliable, whether they be from federal, state, or local sources, or from public transportation-generated revenues or public-private partnerships. Major transit capital investments often require advance planning and multi-year construction programs.

Third, it is critical that the transportation finance legislation developed by this Committee recognize that not all financing mechanisms and revenue generators work at the same level of efficiency and effectiveness for all modes. Our proposal recommends legislation that would promote the development of revenue generated from traditional financing sources like municipal bonds to innovative financing mechanisms, such as public private partnerships, tolling and congestion pricing to supplement current revenue streams. However, infrastructure banks, municipal bonds, private activity bonds, and loan programs such as Transportation Infrastructure and Finance Act program (TIFIA) and the Railroad Innovation and Improvement Financing Program (RRIIF) that require payback will not sustain an ongoing transit program. They can help public-private partnerships work, but transit public-private partnerships are not a revenue source but rather a management tool.

We want to emphasize that the certainty and predictability of the dedicated funding within the Mass Transit Account of the Highway Trust Fund, and channeled through the Federal Transit Program, has truly served the needs of the public transportation industry, and allowed agency finance professionals to take advantage of and leverage a multitude of financing arrangements.

For many years the federal gas tax has supported the national program and served effectively as a user fee. While trends and market forces suggest that the gas tax is not the growing revenue source that it once was, it remains a viable source that can be collected efficiently and without creating any new federal bureaucracy in the short run. The most sustainable, forward-looking and outcome-oriented approach may be a vehicle miles traveled (VMT) fee, but because the systems, methods and infrastructure to implement such a national system are years away, the augmented gas tax could be the bridge to an ongoing national VMT fee. While APTA has put forward these ideas on how to raise revenues for the Highway Trust Fund, we are open to any mechanism that provides a predictable source of funding for these important investments.

CONCLUSION

Mr. Chairman and members of the Committee, I thank you for this opportunity to share our views as you move forward on this next authorization of surface transportation programs and urge the Committee to support the Federal Transit Program with a six-year investment level for transit projects of at least $100 billion. The next program will absolutely require a wide range of funding options, but for the immediate future, we feel strongly that the base program must restore and increase the purchasing power of the Federal Motor Fuels User Tax while we concurrently move with a true sense of urgency to develop and implement a national transportation future funding model that is both economically and environmentally sustainable. We need to have funding predictability, both for our agencies and our private sector partners.

Thank you for allowing us to provide testimony on these critical issues. We look forward to working with you and the members of the Committee as you work to develop this next critical authorization bill.

Statement for the Record

American Public Works Association

House Committee on Ways and Means

Hearing on

Long-Term Financing of the Highway Trust Fund

June 17, 2015

Statement for the Record
House Committee on Ways and Means
Long-Term Financing of the Highway Trust Fund

June 26, 2015

The American Public Works Association (APWA) is pleased to provide the following statement to the House Committee on Ways and Means on "Long-term Financing of the Highway Trust Fund".

APWA is an organization dedicated to providing public works infrastructure and services to millions of people in rural and urban communities, both small and large. Working in the public interest, APWA's 28,500 members plan, design, build, operate and maintain our vast transportation network, as well as other key infrastructure assets essential to our nation's economy and way of life.

Every community has a stake in the future of our transportation system. Local governments own approximately 75 percent of the nearly four million-mile roadway network, more than half of the nation's 300,000 bridges, and manage about 90 percent of the transit systems. With nearly every trip beginning and ending on a local road, street or sidewalk, a strong local state-federal partnership is vital to ensuring a safe, seamless and efficient multi-modal transportation system.

Funding Stream Consistency Is Imperative

We favor a multi-year surface transportation authorization that provides a sustainable funding source. This essential component will ensure American businesses can move goods efficiently and compete globally. We appreciate the budgetary constraints the committee is contending with, but action must be taken to close the gap between transportation needs and funding rather than operating by extension.

Among the solutions we support increasing the federal motor fuel user fee and indexing it to the rate of inflation. APWA believes any revenues from that fee should be used solely for surface transportation purposes.

Additional options we support are a transition to vehicle-mileage fees, an expansion of access to innovative financing tools, moving to a Utility System/Enterprise Funds Model to finance and operate national transportation networks, and encouraging local governments to increase participation in transportation projects.

The purchasing power of the federal fuel tax revenues is declining as electric vehicles, hybrids and other more energy-efficient vehicles increase in number. APWA supports incentives to develop new concepts to offset revenue losses caused by more fuel-efficient vehicles. One such concept is the vehicle-miles driven approach in addition to gas taxes or in lieu of gas taxes. This is a technology-driven application that records vehicle miles driven to allow equitable payment of a fee to the state or federal government based upon an established rate per vehicle-mile driven. A certain level of capital investment will be required to implement a vehicle miles traveled

(VMT) program. APWA encourages the federal government to support a transition to a VMT fee as a stable, long-term replacement for the fuel tax, which would serve as a more appropriate "user fee" and encourage efficient use of our nation's transportation system.

Secondly, APWA recommends further expansion of the use of financing mechanisms such as Public Private Partnerships (P3), tolling, congestion pricing, and "pass through financing". The latter has proven to be quite successful in states such as Texas. Cities and counties are stepping up to design, construct and fund highway improvements in urban areas using revenue bonds backed by guaranteed revenue streams. By doing so, these cities and counties are also guaranteeing their own revenue streams to help ensure low interest rate financing of these specific projects.

Lastly, we understand that improving our transportation system should be a partnership of local, state and federal efforts. We believe that partnership must be continued and even expanded to leverage scarce taxpayer dollars. Our association supports federal incentives for state and local agencies to increase the use of voter approved sales taxes, local option gas taxes, bond programs, transportation impact fees and other dedicated tax revenues to advance or accelerate implementation of critical projects. In addition to financial participation, local agencies should be encouraged to assist by providing rights-of-way, helping with the environmental review process and performing any other local activity that expedites and reduces the cost of the project. To the extent possible, federal programs should remove or minimize any legislative or regulatory obstacles to local use of alternative financial tools for participation in critical transportation projects.

While another short-term extension will ensure some projects move forward, the ongoing use of extensions is hastening the decay of our nation's roads and bridges. There are a number of projects that will not be able to move without at least a patch for the Highway Trust Fund. The Interstate 710 project in Los Angeles is a $5 billion project to ensure goods can flow from the nation's largest port to the mid-city's rail yards, warehouses, and distribution centers. In Tennessee, 32 projects, totaling $393 billion are being postponed to at least the 2016 fiscal year because of the lack of a long-term transportation bill.

As these major projects are delayed, so is badly-needed maintenance. This only drives costs higher over the long-term. The American Association of State Highway and Transportation Officials reports that for every $1 spent to keep a road in good condition, it avoids $6-$14 needed later to rebuild the same road once it has deteriorated significantly. These costs will have to be paid by the taxpayers who already pay an extra $324 annually more in vehicle maintenance due to crumbling roads. This negatively impacts businesses too, who, according to the U.S. Treasury Department pay $27 billion in additional freight costs because of poor road conditions. The situation is dire and APWA supports any revenue method to ensure our members are able to continue to build, operate and maintain our roads.

Taxpayer Dollars Can No Longer Be Wasted

APWA's members are the ones on the ground implementing our nation's transportation policies. However, they must comply with burdensome, duplicative federal environmental laws adding significant cost to projects with little additional environmental protections. Congress can take certain steps to guarantee the revenue it collects for the purposes of road, highway, and bridge construction is well spent.

While progress was made in MAP-21, federal and state oversight must be further streamlined to ensure the most efficient use of limited federal, state and local fiscal resources. Legislation is needed to continue to address the problem of project delays and rapidly escalating costs associated with regulatory requirements from numerous federal regulations and agencies. We recognize the committee does not have direct jurisdiction over some of these deficiencies in federal law. However, because Ways and Means has long been the guardian of the federal treasury and taxpayer dollars the committee has a stake in making certain these monies are spent effectively.

APWA supports Congressional action to streamline project delivery by allowing federal participation and approval of alternative neutral activities prior to completion of the National Environmental Policy Act (NEPA) requirements. For projects demonstrating no alternative impact, right-of-way acquisition should be an eligible activity prior to NEPA. Further, we strongly urge the establishment of statutory timelines for project reviews and findings by federal and state regulatory agencies for all transportation improvement projects. These changes would dramatically reduce the overall time to move a transportation project from design to construction.

Moreover, Congress can create a streamlined permitting process for state and local projects that receive $5,000,000 or less in federal funding. This process should ensure adequate environmental protections and diligence for right-of-way acquisition, but eliminate many of the duplicative steps, like frivolous citizen suits which drive highway costs higher and lengthen timelines. Certain projects should also be included, like the National Safe Routes to Schools and National Scenic Byways programs.

Lastly, we urge increased flexibility to use federal funds on a range of transportation alternatives as well as more flexibility in allowing for contingencies in the planning and funding processes. Without latitude for local flexibility in determining funding sources and amending plans, communities lose the ability to move to the next project in line if an unforeseeable problem develops with a particular project.

Conclusions

The American Public Works Association urges Congress and the Administration to preserve and enhance the federal investment in our nation’s transportation infrastructure. Building the infrastructure needed to support our economic health, welfare and safety takes several years, even decades to implement. Action is needed now to identify new revenue sources for sustaining the Highway Trust Fund and Mass Transit accounts, and to enable federal, state and local improvements to our nation’s surface transportation network.

Investment in transportation projects is a proven way to boost the economy. Every $1 billion invested in transportation generates an estimated 27,800 jobs and up to $6 billion in additional gross domestic product. Our nation cannot remain economically competitive with the rest of the world if our transportation system is left inadequate and crumbling. Investing to improve and repair our deteriorating surface transportation network will build the foundation for long-term and prolonged economic growth. A strong federal role in funding our national, regional and local transportation systems is critical to job-creation, economic well-being, and the safety and welfare of our country. We commend you for bringing focus to the issue by holding this hearing. APWA is hopeful Congress understands the key role long-term financing plays in the health of our nation's roads, highways, and bridges. Thank you for your consideration of our comments.

Before the

Committee on Ways and Means United States House of Representatives

Testimony of Bill Graves
President and CEO
American Trucking Associations

Hearing on

Long-Term Financing of the Highway Trust Fund

June 17, 2015

AMERICAN
TRUCKING
ASSOCIATIONS

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

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[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;

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[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:

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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.

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[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 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.

STATE OF CALIFORNIA

EDMUND G. BROWN Jr., Governor

CALIFORNIA TRANSPORTATION COMMISSION

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July 1, 2015

The Honorable Paul Ryan, Chairman
Committee on Ways and Means
U.S. House of Representatives

SENT VIA EMAIL

RE: Committee Hearing on Long-Term Financing of the Highway Trust Fund
Wednesday, June 17, 2015, 10:00 AM

Dear Chairman Ryan,

As the state agency responsible for programming and allocating transportation dollars, the California Transportation Commission encourages Congress to take action to address a long-term funding solution for the Nation's transportation system. Federal funding for transportation is a crucial component in the process of maintaining our mobility and ensuring a robust national economy. As a result, Congressional consideration of the future of transportation funding is critical.

Investments to preserve our transportation system have not kept pace with demand, and the current method of funding the Highway Trust Fund through excise taxes is no longer keeping up with the cost of maintaining, operating, and expanding the Nation's vast transportation network. In real terms, funding has diminished while the demand and the cost to maintain and operate the transportation system have soared. To effectively address this pending transportation funding crisis, immediate and long-range sustainable solutions are required. A solution should be implemented in the near-term to stabilize transportation funding while a long-term mechanism is secured.

Excise taxes are paid based on fuel consumption, not direct usage of the transportation system. As fuel consumption continues to decline due to improved and more fuel-efficient vehicles, and as consumers turn to alternative fueled vehicles; the relationship between fuel consumption and costs imposed on the transportation system will continue to deteriorate. A road usage charge, also known as a mileage based user fee or a vehicle miles traveled fee, refers to a fee based on the number of miles a vehicle travels over a given time period. A road charge is considered to be a more effective option for funding transportation infrastructure than excise taxes since it directly charges users prices that reflect the full cost of the transportation services provided.

Along with several other states, California is taking an aggressive stance to address this chronic transportation funding shortfall by investigating the potential of a pay as-you-go road charge in-lieu of the traditional fuel-based excise tax. In 2014, California legislation was enacted to establish a Road Charge Technical Advisory Committee to design a road charge demonstration program in our state. Development and implementation of a road charge pilot program requires a collaborative development and deployment process to address privacy, technology, administrative and other public concerns while ensuring the ultimate success of a new funding mechanism.

We strongly support efforts to develop a bipartisan plan to stabilize and enhance the Highway Trust Fund's current revenue stream this year and in subsequent years. We believe Congress must also consider the next generation of surface transportation revenue mechanisms now, to be in a stronger position in future surface transportation authorization debates. As such, we request the next Surface Transportation Reauthorization bill include provisions to help states undertake the research and development activities necessary to implement a new mechanism for collecting transportation revenues based on user fees reflective of the full cost of transportation services provided.

Sincerely,

LUCY DUNN
Chair
California Transportation Commission

ROBERT ALVARADO
Vice-Chair
California Transportation Commission

cc: Honorable Devin Nunes, U.S. House of Representatives
Honorable Xavier Becerra, U.S. House of Representatives
Honorable Mike Thompson, U.S. House of Representatives
Honorable Linda Sanchez, U.S. House of Representatives
Commissioners, California Transportation Commission
Jim Beall, Chair, Senate Committee on Transportation and Housing
Jim Frazier, Chair, Assembly Committee on Transportation
Brian Kelly, Secretary, California State Transportation Agency
Malcolm Dougherty, Director, California Dept. of Transportation

Coalition for America's Gateways and Trade Corridors

June 15, 2015

The Honorable Paul Ryan
Chairman, House Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Ryan:

On behalf of the Coalition for America's Gateways and Trade Corridors (CAGTC), thank you for scheduling a hearing on surface transportation funding. CAGTC is comprised of over sixty organizations, including state DOT's, MPO's, ports and engineering firms, that have come together to improve national freight policy. Our organization is eager to see Congress pass a long-term and robustly-funded surface transportation bill and we look forward to your leadership in determining the best way to pay for such a bill.

The Congressional Budget Office estimates that between 2015 and 2024, the Highway Trust Fund will need $167 billion in additional revenues to maintain the insufficient level of current funding. Furthermore, as generally accepted by our members and other organizations, our country's freight transportation network needs an additional annual investment of at least $2 billion per year, to support critical system-wide, multimodal, and multi-jurisdictional needs. It is also important to note that many freight projects are actually highway projects that greatly benefit all motorists.

We urge you to utilize this hearing to capture the perspectives of knowledgeable witnesses representing a broad coalition from small and large private businesses, freight system users and providers, state and local governments, and organized labor, all of whom are in favor of a strong federal role in our nation's surface transportation that links our states and international trading partners.

The last Ways and Means hearing on this issue was held in July 2009. Since then, our country's infrastructure has continued to decline, receiving a D+ from the American Society of Civil Engineers. Continued failure to adequately invest in our nation's freight corridors has led to snarled chokepoints and infrastructure deterioration, posing significant safety hazards throughout our communities and slowing the movement of commerce. Meanwhile, our economy is trying to grow, and an efficient transportation system is essential to its long term recovery.

While it is critical to find a short-term solution, as you and your Committee Members have noted, a long-term bill containing a well-funded freight program as well as sustainable and dependable funding for surface transportation infrastructure must be the ultimate goal. There are many proposed funding solutions on the table. With your leadership, we are optimistic the Committee on Ways and Means can identify a funding package that supports a long-term surface transportation bill containing a robust freight investment program that is good for our economy, while at the same time brings the United States back to the forefront of international trade competiveness.

1120 20th Street, NW   Suite 500 North   Washington, DC 20036
202-828-9100 phone   202-797-0020 fax   www.tradecorridors.org

Thank you, once again, for scheduling this hearing and we look forward to working with your committee on these issues.

Sincerely,

Elaine Nessle
Executive Director

CC: Members of the House Committee on Ways & Means

CRSI Concrete Reinforcing Steel Institute 933 North Plum Grove Road | Schaumburg, IL 60173-4758 | Tel. **847.517.1200** | Fax 847.517.1206 | **www.crsi.org**

June 16, 2015

The Honorable Paul Ryan
Chairman
The Committee on Ways and Means
U.S. House of Representatives
Washington, D.C.

Re: Long-Term Financing of the Highway Trust Fund Hearing – Letter For The Record

Dear Chairman Ryan and Members of the Committee on Ways and Means:

I write on behalf of the Concrete Reinforcing Steel Institute, one of our nation's oldest technical institutes and a Standards Developing Organization (SDO). The CRSI is recognized as the authoritative resource for steel reinforced concrete construction. Members include some of the country's largest steel mills, fabricators, material suppliers and placers of steel reinforcing bars and related products. Our Professional members are involved in the research, design, and construction of structures and pavements. Together, they form the backbone of the steel reinforced concrete industry spanning our nation that relies heavily on surface transportation.

As Chairman of CRSI, I am responsible for the well being of the Institute, and to keep apprised of public policy impacts to our industry. Lack of a long-term transportation authorization at sufficient levels of funding impacts not only our industry, but also every business that relies on a well built and maintained transportation system, and disadvantages the country as a whole. As members of Congress, you have the responsibility of providing federal funding for our nation's surface transportation system.

We believe that the solution to funding is to maintain a user-fee-based Highway Trust Fund with increased levels of investment. We thank you for your attention and urge Congress to pass legislation on this model this year.

Finance and support for our surface transportation systems is based on a per-gallon tax unchanged since 1993. Few of us in the private sector are operating with 22 year old systems or funding mechanisms. No American business or a state Department of Transportation is working with the same W2 numbers from 1993; no business small or large is using the same trucks or machinery from 22 years ago. Our organization and practically every interest from the National Association of Manufacturers to the AFL-CIO recognize the need for an increase in infrastructure investment, and we are willing to pay for an increase in the federal gas fee. We know that you recognize that a safe, efficient system of transport and transit is essential to our economic strength. Tools, personnel and equipment used to make and deliver products require periodic investment – highways and transit are no different.

The user fee assessed at the pump is paid by those who use fuel in proportion to that use. It is a sensible system. Granted, with the improvement in fuel efficiency and other contemporary developments, Congress will in the future need to address other funding mechanisms to meet our infrastructure spending needs. For now we believe the current system is fair and functional.

Many states have raised their fuel fees because they recognize their residents and industries are willing to support a higher level of investment. Leaders in these states have demonstrated they know that a vibrant economy requires investment. This has been the tradition of our federal transportation program since it's founding - citizens willing to pay.

We have patched, extended, delayed and dallied for far too many months. The country needs a serious, six-year highway authorization bill with funding beyond the clearly inadequate current levels. We need a sustainable funding stream, not obscure "pay-fors" to offset spending or to take revenue from the General Treasury. Highways, transit and bridges take years to plan and build. We cannot do the work with short-term funding band-aids. Congress should not think that status quo is good enough; it's not.

We urge you to invest in and restore the infrastructure superiority of the United States. Delay will only be more costly and detrimental.

Respectfully submitted,

Scott D. Stevens, PE
Chairman of the Board
Concrete Reinforcing Steel Institute

Hearing on Long-Term Financing of the Highway Trust Fund
June 17, 2015

The following is an exploration of some possible ways to fund transportation facilities, with my recommendations for federal funding at the end. Some of these should be considered extreme and undesirable, but are included here for illustration. Many may suit one jurisdiction well while be unadvisable to others. For the purposes of this article, Transportation District refers to any private, local, city, county, or state organizations with authority to build and maintain transportation. The advantages and disadvantages are intended to be illustrative and not exhaustive.

1) Property owners responsible for maintaining the right of way bordering their property.
Advantages: Property owners pay no taxes to the government for the upkeep and construction of transportation facilities but do pay for others to do the work or does the work themselves, no restrictions on the types of transportation, tends to reduce urban sprawl. Disadvantages: No economy of scale, undue burden on corner and other long frontage properties, pressure to allow property owners to toll the portion they are responsible for, possible differing standards and states of repair, no public mass transit, no public higher speed facilities, resistance to spending for heavier and higher capacity facilities especially in residential areas, limited freight movement. Government enforcement of minimum maintenance likely to be required and facilities are likely to deteriorate rapidly in hard times. Recommendation: Should not be used; while the apparent savings of taxes looks attractive, it is very possible more tax money, from a different tax, would be required to provide enforcement of the maintenance standards, not to mention the property owner is likely paying more for road work due to lack of economy of scale. Once neighbors agree to work together to keep the roads and how to pay for it, they have created something equivalent to a tax structure.

2) Neighborhood Associations
Advantages: Property owners pay no taxes to the government for the upkeep and construction of transportation facilities but do pay an association fee as agreed or/and perform the work themselves, no restrictions on the types of transportation, tends to reduce urban sprawl, better economy of scale, maintenance likely to be better, may support on-demand transit with association owned vehicle. Disadvantages: Pressure to allow associations to toll the roadways for which they are responsible, possible differing standards and states of repair, facilities may deteriorate rapidly in hard times, no public higher speed facilities, resistance to spending for heavier and higher capacity facilities especially in residential areas, likely limited freight movement, may be poor connections between associations. Recommendation: Could work very well for some residential neighborhoods, which would strengthen them; could work well within a commercial district with businesses of similar market reach. The businesses may want to partially provide the higher capacity travelways through the neighboring residential neighborhoods. Combining associations into cooperative districts could reduce some of the disadvantages and improve the advantages, funding for the cooperative district would come from the associations, not directly from the people.

3) Monthly Access (Utility) Fees (similar to those used by communications companies).
Advantages: Economy of scale, use for emergency services and for nonemergency medical transportation possible, burden to long frontage properties reduced, consistency of function and repair is better, does not treat one person as worth more than another, funds transportation more like a utility, which it is. Disadvantages: May be focused on access to the detriment of mobility, depending on the size of the transportation district, may be perceived as falling heavily on small properties and the poor, connections between transportation districts may be poor, may allow urban sprawl. Recommendation: Should not be used as a standalone funding system. Could be used to fund up to two lanes for each roadway, walkways, bikeways, and possibly, a fareless local bus like system with

stops a reasonable walking distance from every address. If adopted, vehicle registration fees should be rescinded, and property taxes for roadways and services should be reduced accordingly.

4) Tolls and Fares.

Advantages: Users pay the cost of the systems, does not treat one person as more important than another, provides for robust limited access transportation, tends to reduce urban sprawl. Disadvantages: Difficult to apply to walkways, places with numerous access points, and residential neighborhoods; may be perceived as falling more heavily on the poor; connections to other transportation districts could be choke points; traffic on some portions may be insufficient to toll or fare at a reasonable rate. Recommendation: Should not be used as a standalone funding system. Works best if all limited access type systems are tolled or fared.

5) Property taxes (traditional method for funding local roadways).

Advantages: The collection of property taxes is well understood, distributes the tax burden fairly evenly based on property values, good transportation systems tend to increase property values. Disadvantages: Property values can experience significant fluctuations, making forecasting the revenue less predictable than other taxes, poor people may own relatively high value properties and rich people may own relatively low value properties, does not account for traffic generation. Recommendation: Should continue to move away from using this tax in a standalone system. A property tax with limitations is still a viable method of funding transportation. In good years, a percentage of the increase in property tax revenue from one year to the next, due to valuation increases, could be set aside for transportation expansion to encourage continued growth and soften some downturns.

6) Fuel Excise Tax (used to primarily to fund higher mobility roadways).

Advantages: Well understood taxing system, user tax, can be used to discourage use of carbon based fuels. Disadvantages: Does not account for weight or gas mileage of the vehicle, not a true user tax; not easily justifiable for non-roadway use even when drivers are benefitted, induces urban sprawl, greenhouse concerns, some needed roads cannot be maintained based on traffic counts for that road. The history of this tax provides a lesson on how a seemingly progressive tax can become regressive. Recommendation: Excise taxes still have some value for funding transportation, but should be depended on less and less moving into the future. Nevertheless, since the trucking industry already supports a tax increase, the diesel tax could be immediately raised to an amount the trucking industry is agreeable to.

7) Vehicle Miles Traveled Fee (could be used for all roadways).

Advantages: Truer user fee that can account for the weight of the vehicle, can be discounted for older vehicle that the poorer are more likely to drive, applies evenly to alternately fueled vehicles, can be tracked by GPS, odometer reading at registration, or other method if available, can make use of the fuel tax or regular estimated billing to avoid yearly lump sum payments. Disadvantages: Privacy concerns with tracking, not easily justifiable for non-roadway use even when drivers are benefitted, may induce urban sprawl, may be political pressure to match the funding with the portion of roadway related to its collection, some needed roads cannot be maintained based on traffic counts for that road. Recommendation: Should not be used as a standalone funding system. The VMT fee is a more accurate and fair system than the Fuel Excise Tax and could be implemented as soon as privacy issues can be resolved. However, many commercial vehicles already carry GPS systems and the privacy concerns are less. The development of VMT fees for commercial vehicles should fast track, with the lessons learned then being applied as VMT fees for private vehicles develop.

8) Commuter Miles Tax (Based on distance from primary home to work location).

Advantages: User tax, may be used for any type of transportation, fits easily with improving congestion and bottlenecks, uses well understood payroll deduction to assess, can be limited to a maximum amount for lower tax brackets, can be indexed at higher rates for greater miles to locations within defined urban areas, may reduce sprawl, can be used in combination with a Fuel Excise Tax decrease, revenues increase as the number of jobs increase. Disadvantages: Little known concept with unknown resistance, payroll deduction may make the tax more noticeable even though not greater, would likely not provide adequate funding for many rural roads. Recommendation: Should not be used as a standalone tax; should be phased in until the amount collected is consistent with and covers the number of commuter miles traveled while the Fuel Excise Tax is reduced accordingly.

9) Commercial Income Tax (Transportation is necessary for business to do business).

Advantages: May be used for any type of transportation and can better provide for freight. Corporate Taxes are well understood. It is within the interests of the business community to draw people to their businesses and to reduce the costs of goods and services, which good transportation does. The tax could be considered more as an investment rather than a tax if done right. Disadvantages: Conflicting interests may affect project priority, especially when funding is down. Recommendation: Set aside a percentage of corporate income taxes for transportation use in keeping with the desire to grow the economy.

10) Repatriation

Advantages: Provides a large one-time source of funds with relatively little pain due to the current large amounts of money parked overseas. At a more normal level, repatriation could provide a steady source of funding for ports, airports, and border crossings, and their associated facilities. Recommendation: Use the large one-time funds to repair, rehabilitate, rebuild, and expand as necessary all bridges and tunnels, road or railroad, that cross state lines, and then to do the same with bridges of tunnels of longer than 2000 feet regardless of location. The remainder of this funding could then be used to make mass transit more competitive against automobile traffic, ideally, with automated vehicle-on-demand transit. Use the normal flow of repatriated funds to provide infrastructure and support for international trade.

The first five of these funding methods should not be used at the federal level, but there should be no law or regulation at the federal level to restrict or inhibit the used of these funding options at the local level.

According to the best figures I could find, commuter travel is about a third of all miles traveled. A rate of $0.01 per mile will generate about $10 billion per year and would be about $1.60 per week for the average commuter. Transportation studies would require obtaining the most effective mix of transportation forms to fund for construction and operation.

The commercial and industrial community should be challenged through the Chamber of Commerce and other such organizations to consider how they would pay for transportation systems, like they were making an investment to improve their bottom line. They should be challenged to propose self-taxing funding options and amounts in such a way as to be reasonably fair to all the businesses, and that can be essentially rubber-stamped by Congress. They should be challenged with how to improve highways, waterways, railways, airways, and all their associated infrastructure and interconnections.

Final recommendations for federal level transportation funding:

1) Change and combine the differing trust funds to a Transportation Trust Fund, and require the best option for a transportation project among types as well as location and size for the preferred alternative.
2) Over a six year period, phase in a commuter distance tax to a rate of $0.03 per mile, limited to a fixed amount per year for lower income people; phase in a commercial vehicle miles traveled tax at rates consistent with the weight of the vehicle; phase out the fuel excise tax; and phase out or reduce fares on mass transit systems, depending on amenities. Do not impose a VMT on personal vehicles. Also, increase the commuter distance tax rate for those who commute more than 20 miles and 30 miles to $0.035 and $0.04 respectively. Since a tax deduction is allowed for personal vehicles used for business, the regulations can be changed to allow the IRS to

subtract the commercial vehicle miles traveled tax from the normal deduction and place that amount in the trust fund. These changes will keep the present total collections about the same while providing future growth as the number of jobs increases. It will also be a more progressive tax structure. These taxes are more sustainable that what is done now and fit well with the types of projects funded with federal dollars.

3) Challenge business and industry to find $20 billion in "self-taxing" to add to the trust fund at the federal level, and phasing that up to $50 billion over six years. The regulations should allow this funding to continue to grow as the economy grows.
4) Use repatriation to fund certain "megaprojects" that will not be done without a very large source of funding. Reduce the overseas tax rate to something more reasonable so the money parked overseas comes back in a reasonable amount of time. Discount that rate by 5% to bring funds back more quickly for a short length of time. Let the tax be voluntary, but if it is to be more than a 5% discount, then it should be mandatory. In the future, use all the repatriation funding for infrastructure and services that support international trade.

All of these taxes are sustainable because they are used to build up the base from which they come, unlike the fuel excise tax.

Great Lakes Metro Chambers Coalition

June 16, 2015

The Honorable Paul D. Ryan
Chairman
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Ryan:

The following statement of the Great Lakes Metro Chambers Coalition is provided for the record of the Committee's June 17, 2015 hearing on long-term financing of the Highway Trust Fund.

Transportation infrastructure is critically important to a thriving Great Lakes regional economy. Modern, effective, multi-modal, integrated transportation infrastructure systems create good jobs, support the unique needs of inland metropolitan regions, and facilitate international trade and exports. They are the platform for the highly-integrated regional supply chains which have made the Great Lakes and Midwest one of the world's top manufacturing centers. The critical connector in our supply chain systems – what gives them their great flexibility and adaptability – is our highway and bridge systems. Their continued maintenance and development are essential to the performance of our regional and national economy.

The future of Great Lakes manufacturing depends on resolving the long term surface transportation funding issue. American prosperity is closely linked to the ability to move goods and materials seamlessly within the Great Lakes region, which produces 35% of U.S. manufacturing output, provides 42% of U.S. manufacturing jobs, and accounts for 28% of U.S. exports. In the Midwest, the nation's industrial core, a single disruption in a "just in time" supply chain component due to inadequate infrastructure can impact results throughout the entire chain.

The Great Lakes Metro Chambers Coalition urges the House Ways and Means Committees to develop a sustainable funding solution that will provide adequate federal resources for the maintenance and development of our nation's surface transportation systems. The Coalition is deeply concerned about the rapidly approaching surface transportation reauthorization cliff, as well as the projected tremendous shortfall in federal Highway Trust Fund revenues over the long haul as motor vehicles become far more efficient and motor fuel tax revenues become much less predictable. The need for significant progress on infrastructure is urgent.

Historically, increased user fees have been the prescription for projected revenue shortages in the Federal Highway Trust Fund. The Coalition believes that fees from users should remain the basis for funding our nation's transportation infrastructure. However, we recognize that to meet the funding challenges in the near term, the Congress may need to look to a broader range of revenue sources and that user fees may be just one of the options. The Coalition is therefore prepared to support other responsible options, such as repatriation of foreign taxes, which could provide significant near term and medium term relief.

As Congress grapples with this issue that is so important to our nation's future, we encourage legislators to also provide flexible options for the states that can supplement federal resources and help provide a greater impact in catching-up and keeping-up with our infrastructure needs. One of those options is tolling on interstate highway systems and Federal aid highways. Tolling can supplement motor fuel revenues in providing resources to maintain and develop heavily used corridors. It is already used on a number of key arteries in our region and has helped immeasurably in keeping them in good condition. Its technology is well-developed and now allows for efficient movement and minimal congestion.

The Great Lakes Metro Chambers Coalition urges the Congress to allow states the option to use tolling on interstate systems and Federal aid highways in heavily travelled corridors. Tolling can supplement the use of other funding streams, reduce some of the pressure on federal resources, and help states and localities address many of their serious problems with roads that feed into and support the interstate highway system. Tolling is also consistent with the Coalition's strongly-held belief that user fees are the best sources of sustainable funding resources for transportation corridors.

Congressional action is essential to secure the trade corridors that get the region's manufactured and agricultural goods and commodities to market. Providing adequate, stable and predictable resources will eliminate the barriers which have combined to delay rebuilding our nation's infrastructure. The Coalition will support your leadership on this vital issue.

Sincerely,

Ed Wolking, Jr.
Executive Director

Great Lakes Metro Chambers Coalition
Contributing Chambers of Commerce:

Ann Arbor/Ypsilanti Regional Chamber of Commerce
Allegheny Conference
Battle Creek Area Chamber of Commerce
Buffalo Niagara Partnership
Canton Regional Chamber of Commerce
Chicagoland Chamber of Commerce
Cincinnati USA Regional Chamber
Columbus Chamber of Commerce
Dayton Area Chamber of Commerce
Detroit Regional Chamber
Duluth Chamber of Commerce
Erie Regional Chamber and Growth Partnership
Fox Cities Chamber of Commerce and Industry
Grand Rapids Area Chamber of Commerce
Greater Akron Chamber of Commerce
Greater Cleveland Partnership
Greater Des Moines Partnership
Greater Indianapolis Chamber of Commerce
Greater Louisville Inc. – The Metro Chamber of Commerce
Greater Niagara Chamber of Commerce
Greater Pittsburgh Chamber of Commerce
Lancaster Chamber of Commerce & Industry
Lansing Regional Chamber of Commerce
Metropolitan Milwaukee Association of Commerce
Michigan West Coast Chamber of Commerce
Minneapolis Regional Chamber of Commerce
Muskegon Lakeshore Chamber of Commerce
Northern Kentucky Chamber of Commerce
Northern Michigan Chamber Alliance
Plattsburgh North Country Chamber of Commerce
Quad Cities Chamber
Rockford Chamber of Commerce
Saint Paul Area Chamber of Commerce
Southwest Michigan First
Toledo Regional Chamber of Commerce
Traverse City Area Chamber of Commerce
Youngstown/Warren Regional Chamber of Commerce

Before the

Committee on Ways and Means
United States House of Representatives

Statement for the Record
International Brotherhood of Teamsters

Hearing on

Long-Term Financing of the Highway Trust Fund

June 17, 2015

International Brotherhood of Teamsters
25 Louisiana Avenue, NW
Washington, DC 20001

Statement for the Record
International Brotherhood of Teamsters

Mr. Chairman, Ranking Member Levin, and Members of the Committee, the International Brotherhood of Teamsters (IBT) is pleased to submit this statement for the record on this very timely and important issue. The IBT is North America's largest transportation union, with more than 600,000 of our 1.4 million members using our nation's roads and highways as their workplace and they have a front seat view of the problem of the continuing deterioration of our infrastructure. The IBT applauds the Committee for holding this hearing and taking this step in examining long-term financing options for the Highway Trust Fund (HTF).

Since the expiration of the last multi-year highway bill in 2009, Congress has passed over 30 short-term extensions to keep surface transportation programs funded. Congress must act now to close America's widening transportation infrastructure funding gap with stable, long-term solutions to ensure the certainty of a funding stream to the states, some of which have already put construction projects on hold. In addition, we risk compromising public safety, losing our ability to compete in the global economy, and losing productivity as congestion consumes more commuting time and adds to freight delivery schedules. We are clearly missing an opportunity to save money and create good jobs in the process.

The American Society of Civil Engineers' gives the nation's overall infrastructure a grade of D+. Sixty-five percent of the roads we drive on are in less than good condition; one out of four bridges we cross needs to be replaced; and 45% of Americans lack access to basic transit services. [ASCE, DOT] Highways and bridges face an $808.2 billion backlog of investment needs, including $479.1 billion in critical repair work. The United States needs $3.6 trillion in infrastructure investment by 2020 to bring infrastructure to a safe and reliable state of "good repair." [DOT, ASCE] The U.S. transportation system moves more than 54 million tons of goods worth nearly $48 billion each day. Freight tonnage is expected to increase by 45 percent by 2040, requiring additional capacity to our highways, airports, railroads, and ports, and improvements to multi-modal connections that move freight efficiently. [DOT]

The seriousness of this inaction by Congress to pass a multi-year bill cannot be understated. Already 19 states have expressed concerns about moving forward with transportation projects, with 7 states already cancelling or delaying projects because of a potential disruption in federal funding. Prior to authorizing the current surface extension, the American Association of State Highway and Transportation Officials cautioned that more than 660,000 jobs and at least 6,000 state DOT construction projects were at risk had Congress failed to act in time to ensure the solvency of the Highway Trust Fund. [AASHTO]

The impacts of not resolving this funding issue go far beyond repairing, maintaining, and building out our infrastructure to address deficiencies. Americans spend 5.5 billion hours in traffic each year, costing families more than $120 billion in extra fuel and lost time. American businesses pay $27 billion a year in extra freight transportation costs, increasing shipping delays and raising costs on every day prices. [WHITE HOUSE 7/14 report] And further delay can have deadly consequences. Last year, there were more than 33,000 highway traffic fatalities. Roadway conditions were a significant factor in approximately one-third of those accidents. [DOT, ASCE]

According to a study by Duke University, expanding Federal Funding consistent with U.S. DOT's request would result in over 2.47 million jobs, or 58% more jobs than current funding levels, and over $404 billion in total economic output. Further, for every dollar invested in infrastructure, the economy grows by $1.15 to $1.25. [CBO, 2/14; Alliance for American Manufacturing, Duke University]

The Teamsters Union is open to supporting multiple revenue sources that will provide long-term stability to the HTF. While a fuel tax increase would appear to be a likely solution, improvements in fuel efficiency and the need to meet additional CAFE standards makes it less of a viable option in closing the funding gap. It also lacks the support of key Congressional leaders and in the end may not have the support of a majority of the Congress.

A Vehicle-Miles-Traveled (VMT) tax in slightly different configurations has undergone testing through pilot programs in several states, with Oregon's program being the furthest along. Several issues need to be addressed before this tax receives the public acceptance it would need to advance to a permanent nationwide program. The scope and size of collecting a VMT tax from individual drivers and their vehicles and the costs involved in administering such a program may be difficult to overcome. Other issues relating to privacy of location and how wear and tear on infrastructure can be assessed to heavier vehicles remain as additional challenges to overcome.

In any case, Congress should not revert to methods that place additional burdens on taxpayers to close the funding gap. Giving states the authority to toll their existing interstate highways is asking taxpayers to pay twice for the privilege of using that highway, once at the pump when they paid for their fuel and again at the toll booth. Motorists find alternative routes on secondary roads to evade tolls, which can lead to safety issues and degradation of highways not meant for the volume or weight of interstate traffic.

Given the expanding shortfall in the HTF, the political and logistical issues with other revenue sources, and the necessity of finding significant funding to advance a multi-year surface transportation reauthorization in the immediate future, the Teamsters Union believes that a tax on the repatriation of corporate profits from overseas is the preferred solution to filing the gap and funding a long term bill. It's estimated that there are over $2.1 trillion in foreign profits held by U.S. corporations. While some may argue about what rate those profits should be taxed (the Administration has proposed a rate of 14%), a rather small portion of those revenues would be needed to provide stable funding for a six-year reauthorization.

It's clear that investing in infrastructure is good for the economy and will keep us competitive in the global marketplace. And so it is vitally important that the shortfall of HTF revenue be solved sooner rather than later. Congress has subsidized the HTF with approximately $64 billion over the past seven years. These short-term patches have left state and local governments with a great deal of uncertainty in project planning, causing delays and cancellations. This stop-and-go approach increases construction costs and continues to put the nation behind in meeting its infrastructure needs. We urge the Committee to act swiftly to provide a long-term solution to the HTF shortfall.

A Conservative Vision for the Future of the Highway Trust Fund

Submitted to the House Committee on Ways and Means in response to its invitation for written comments in connection with the hearings on Long-Term Financing of the Highway Trust Fund, June 17, 2015

by Kenneth Orski, Editor/Publisher of Innovation NewsBriefs, a transportation newsletter

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Many states, facing repeated short-term program extensions and anticipating uncertain prospects for increased congressional funding, have taken steps to significantly increase their transportation budgets this year. Their intent is to place local transportation programs on a more stable and predictable footing that is less subject to the vagaries of congressional budgeting. Twenty-five states have taken steps to raise transportation revenue this year and another 16 states are currently in the process of doing so (for the latest summary of state funding initiatives see the attached appendix and the report of the American Road and Transportation Builders Association (ARTBA) at http://www.transportationinvestment.org/wp-content/uploads/2015/05/May-2015-State-Transportation-Funding-Initiatives-Report.pdf)

Collectively, these measures are generating billions of additional dollars, enabling states to assume greater responsibility for maintaining local infrastructure and paying for transportation improvements of local benefit, such as those involved in the "TIGER Grants," the "Transportation Alternatives" program and the "Surface Transportation Program" (STP). Shifting these activities and other expenditures of low federal priority out of the Highway Trust Fund could eventually bring Trust Fund spending into balance with incoming gas tax revenues----and fulfil one of the goals of the recently adopted joint congressional Budget Resolution (See, *Conference Report on Concurrent Resolution on the Budget for Fiscal Year 2016, April 29, 2015).* It also would restore the Trust Fund to its primary function of serving as a source of funds for programs that are clearly of federal concern or national significance----notably, maintaining and upgrading the Interstate Highway network and the National Highway System, fixing aging bridges and modernizing critical transit infrastructure..

Most importantly, aligning Trust Fund expenditures with incoming Trust Fund revenue would place the Highway Trust Fund once again on a self-sustaining basis. It would end the need for periodic transfers of general funds, do away with the awkward search for legitimate offsets (or "pay-fors") and put an end to the constant lurching from one funding crisis to another .

As Robert Poole pointed out in his June 17 testimony before the House Ways and Means Committee, a Government Accountability Office analysis of FY 2013 Highway Trust Fund spending found that of the entire $50.7 billion total, only $24 billion ---less than half---was spent directly on roads and bridges, and only $3 billion or six percent was devoted to actual construction, reconstruction or rehabilitation of major projects. "To me," Poole said, " this finding cries out for Congress to rethink and revamp how HTF monies are being used." (*Rethinking the Highway Trust Fund*, testimony by Robert W. Poole, June 17, 2015, quoting Report GAO-15-33, October 2014).

Restoring fiscal soundness to the Trust Fund is not "devolution," a concept that calls for phasing out the federal gas tax and transfering all authority over federal highway and transit programs to the states. "I call this a judicious rebalancing of federal-state responsibilities for funding transportation," a senior state Republican lawmaker told reporters. "States feel they have no choice but to assume more responsibility because they are not convinced they can rely on Congress for adequate and reliable funding. But the federal transportation program continues and the federal gas tax remains an integral part of the highway funding system. The Democrats' talk of devolution is just a straw man."

And indeed, the Congressional Budget Office projects a steady and predictable stream of federal gas tax receipts of $40 billion per year well into the future ($35 billion is credited to the Highway Account, $5 billion to the Transit Account, see *Baseline Projections of Highway Trust Fund Accounts, March 2015*). This should put to rest the misleading notion that the Highway Trust Fund is about to "go broke," become "insolvent" or "run out of money."

A self-sustaining, stable annual $40 billion federal-aid transportation budget extending over a period of six to ten years would go a long way toward restoring and improving the nation's core surface transportation infrastructure. As proposed in a recent paper by Steven Lockwood, an annual $35 billion highway budget would allow to address "unique federal interest responsibilities" such as maintaining and upgrading a national interconnected system of "Highways of National Significance" and funding federal responsibilities for highway safety, R&D and federal lands roads. A $5 billion transit account would continue to provide funds for a program of transit investment (*A Constrained Federal-Aid Highway Program,* by Steven Lockwood, Eno Center Newsletter, January 2015). The "constrained" $40 billion program would still be able to provide states with certainty and continuity to pursue large capital intensive infrastructure projects of national significance that require funding over multiple years.

(However, because of prior obligations that have not yet been liquidated, the transition to a self-sustaining program would need to be gradual. As reported by CBO's Joseph Kile at the June 18 Senate hearing, at the end of FY 2014, $65 billion in contract authority had been obligated but not spent and another $26 billion was still available but not yet obligated, for a total of $91 billion in contract authority. These unliquidated obligations represent more than two years' worth of tax receipts. (*The Status of the Highway Trust Fund*, testimony by Joseph Kile, June 18, 2015).

###

The June 17-18 hearings of the House Ways and Means Committee and the Senate Finance Committee revealed an absence of a political consensus on how to pay for a long-term bill with its projected $85-90 billion shortfall. The majority in Congress are firmly opposed to raising the gas tax ---most recently reaffirmed by Chairman Paul Ryan at the June 17 hearing.("We are not raising gas taxes, plain and simple"). At the same time, the Senate Republican leadership is opposed to a tax on the accumulated overseas corporate earnings ("...It is not a serious proposal to pay for a long-term highway bill," said Finance Committee chairman Orrin Hatch in his opening remarks at the June 18 hearing.) Another potential solution, a practical mileage-based road user fee, is "a decade away" Robert Poole told the committee.

There remains the option of gradually bringing spending into balance with incoming fuel tax revenue. This would require progressively shifting funding responsibility for local transportation from the Highway Trust Fund to the States and localities and limiting Trust Fund revenues to projects and programs that are truly federal in nature. Such a rebalancing of the federal-state relationship would require us to accept a narrower concept of the federal role in transportation---but it would offer probably the only lasting solution to the transportation funding crisis.

###

Kenneth Orski is the Editor and Publisher of Innovation NewsBriefs, a transportation newsletter now in its 26th year of publication This submission is in his own behalf.

Appendix

2015 State Transportation Funding Initiatives

The following states have taken steps to raise transportation revenue this year:

New York: Gov. Andrew Cuomo proposed $4.2 billion for transportation investments as he began his second term; **Florida:** Gov. Rick Scott proposed $9.9 billion for transportation (over $4 billion for roads and bridges) in his 2015 budget request to the state legislature; **North Dakota:** Gov. Jack Dalrymple signed into law a bill that will provide $450 million for state highway impovments. Another bill, known as the Surge Funding Bill will dedicate $1.1 billion from the state's Strategic Investment and Improvement Fund for critical infrastructure projects; **Iowa:** Iowa legislature approved a 10-cent per gallon gas tax increase The increase will allow $700 million in spending on state highway projects and $200 million in local projects annually. The Iowa House passed a $365.2 million transportation bill. **Utah:** The state legislature passed a bill that will increase the gas tax by 5 cents-per-gallon, add a 12 percent tax on the wholesale price of gasoline and permit counties to seek voter approval for a local sales tax for local transportation projects. **South Dakota:** The state legislature approved a fuel tax increase of 6 cents per gallon; the bill also raises vehicle license fees and gives local governments authority to levy their own road improvement fees. The measure is expected to generate over $80 million/year for state and local programs. **Montana:** a bipartisan group of state senators introduced a bill that calls for spending $50 million in cash and $50 million in bond proceeds over two years on infrastructure. If state revenue receipts exceeded a certain trigger, the authorized amounts could rise as high as $100 million in cash and $100 million in bond proceeds.**Ohio:** The House-Senate conference committee approved a $7 billion transportation budget for the next two years and sent the bill to the Governor. **Nebraska**: The Nebraska legislature approved a 6-cent/gallon gas tax increase over the next four years, eventually expected to generate $76 million annually. **Tennessee:** Gov. Bill Haslam released a three-year transportation program featuring $1.2 billion in infrastructure investments. The program reflects the state's commitmernt to remain debt-free, Haslam said. The budget ensures that projects already underway won't be negatively impacted by decisions out of Washington, he added. **Mississippi:** The state legislature voted to raise $200 million in bond financing to pay for transportation improvements, most of them targeted at structurally deficient bridges. The measure takes effect July 1. DOT Secretary Melinda McGrath linked the legislature's action to lack of action by Congress. **Idaho:** the Idaho legislature passed a compromise $94.1 million transportation bill funded with a 7-cent increase in the fuel tax and vehicle registration fees. **Minnesota:** The Minnesota legislature passed a $5.5 billion, two-year bill. **Georgia:** Georgia Governor Nathan Deal signed into law a bill that will increase transportation funding by $900 million per year through increases in fuel taxes and vehicle fees. Georgia thus joins Idaho, Iowa, South Dakota and Utah to have increased their gas tax to generate recurring transportation revenue. The measure also allows local governments to increase transportation-related taxes. Atlanta voters approved a $188 million transportation infrastructure bond. **Louisiana:** The House Ways and Means Committee approved a Democratic-sponsored one-cent sales tax increase and a 10-cent gasoline tax increase that "could pour billions into transportation improvements over the next decade." according to press reports. **Kansas:** A gas tax hike, possibly of five to ten cents, is under discussion in the House committee, according to press reports. **South Carolina:** The South Carolina House approved a 10 cent/gallon (or 60 percent) gas tax increase that will provide at least $370 million for transportation projects A competing Senate bill would generate $800 million. **Pennsylvania:** The state House passed a measure that will provide up to $2.3 billion in annual transportation funding for highways($1.3 billion) transit. (500 million) and local road maintenance. The measure raises revenue mainly by removing a cap on the franchise tax paid by fuel distributors. The Senate is expected to take up the measure next. **Vermont:** Gov. Peter Shumlin signed a $616 million transportation bill authorizing funds for FY 2016. The bill includes $116 million for bridges and $100 million for road resurfacing. **California:** California's Senate is considering a bill that would raise the state gas tax by 10 cents/gallon and increase vehicle sales and registartion taxes. The bill is projected to generate more than $4 billion annually.In the lower house, Assembly Speaker Toni Atkins proposes to create a road user fee to raise $2 billion over five years. A compromise state budget plan is yet to emerge. **Washington:** The state legislature approved and sent to the governor a $7.6 billion transportation budget to keep existing transportation programs going. Another measure, to pay for new projects, is still being negotiated in the legislature. "The current plan is the most positive movement that we've seen on transportation in this state for many, many years," said Sen. Joe Fain, Vice chairman of the Senate Transportation Committee. **Texas:** Gov. Greg Abbott signed three transportation-related bills that, in his words, provide "a historic amount of funding" to build roads. The bills include a measure that ends about $1.3 billion in diversions of gas tax money for non highway items and a provision for a November referendum to approve amending the state constitution to dedicate $2.5 billion of the general sales tax and a portion of future motor vehicle sales taxes to the highway fund. The combined pieces of legislation provide more than $4 billion a year for transportation. **Oregon:** June is the launch of the state's new voluntary road usage charge program (OReGO) that proponents view as a potential transportation funding model for the nation, replacing the motor fuel tax.**Connecticut:** The state legislature and Gov. Dannel Malloy have reached agreement to provide $10 billion over the next five years for transportation, a $2.8 billion increase from last year, partially funded by redirecting one-half cent from the state's sales tax. This would be the largest investment in transportation in the state's history, the Governor announced. **North Carolina:** Gov. Pat McCrory has proposed a $2.85 billion bond initiative (Connect NC) to finance his 25-year statewide multimodal "Vision for Transportation." The proposal includes a $1.37 billion highway bond that would fund 27 highway construction projects and 176 paving projects in 64 counties throughout the state. If approved by the General Assembly, the bond proposal will be placed on the ballot in November. **Massachusetts:** Gov. Charlie Baker signed a $200 million road bond bill in April 2015. State transportation officials proposed roughly $3 billion in capital transportation projects in fiscal year

2016 for highways, small airports and transit according to press reports. **Michigan:** The state House of Representatives approved a series of measures that would generate an extra $555 million in the fiscal 2015-16 budget year and rise to an estimated $1.16 billion when fully phased in during the 2018-19 budget year. The mesures include a hike of 4 cents a gallon in the state diesel fuel tax, indexing all motor fuel taxes to inflation starting in 2016 and revenue diversion from the state's general fund by dedicating portions of state income and sales taxes to transportation. A final road funding plan still awaits Senate action. **New Mexico:** Gov. Susana Martinez signed a $294 million infrastructure construction bill largely paid for with bonds and cash reserves. The measure includes more than $70 million for highways and $45 million for major critical road projects according to local press reports.

Sources: ARTBA's *Transportation Investment Advocacy Center; AASHTO Daily Transportation Update;* T4America's survey *"State Legislation to Raise Additional Transportation Revenue;" NCSL State Bill Database.*

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Adding Sustainability to the Highway Trust Fund

Testimony for the House Committee on Ways and Means
Hearing on Long-Term Financing of the Highway Trust Fund

Carl Davis, Research Director
Institute on Taxation and Economic Policy (ITEP)

June 17, 2015

The federal Highway Trust Fund (HTF) is the single most important mechanism for funding maintenance and improvements to the nation's transportation infrastructure. Absent Congressional action, however, the HTF will face insolvency at the end of July. Unfortunately, despite the critical importance of infrastructure to the U.S. economy, the condition of the HTF has been allowed to deteriorate to the point that imminent insolvency has become entirely normal.

Since 2008, Congress has dealt with recurring shortfalls in the HTF through a series of short-term patches that have collectively transferred $65 billion in outside funding to the account. While these transfers have played an important role in funding the nation's transportation network, they also represent a failure to deal with the root cause of these recurring shortfalls: an outdated and poorly designed gasoline tax.

Increasing and reforming the gas tax could adequately and sustainably fund the HTF for decades to come. New funding sources such as a vehicle miles traveled tax (VMT tax), on the other hand, hold some long-term promise but cannot address the fund's current shortfall and are not necessarily a panacea for the HTF's revenue sustainability problem. Finally, other high profile funding options such as a repatriation holiday or deemed repatriation of corporate profits are problematic from a tax policy perspective, and entirely unsustainable as revenue raising options.

Gas Tax Design is Flawed but Fixable

The HTF is currently facing insolvency because the federal gas tax is poorly designed. On October 1st, the nation's 18.4 cent per gallon federal gas tax rate will become 22 years old. As a result, drivers have been paying roughly $3 in federal gas taxes on every tank of gas they have bought over the last two decades. But as drivers' contributions have stagnated, the cost of asphalt, steel, and machinery has risen by roughly 60 percent.[1] This growing disconnect between the cost of the roads that drivers use, and the price they pay to use them, has played a large role in causing HTF revenues to consistently fall short of infrastructure needs.

Simply put, the 18.4 cent federal gas tax rate is outdated. Federal funding for the nation's transportation infrastructure would be on a much more sustainable course if the rate had been allowed to rise alongside inflation in the same manner that numerous income tax provisions did over this time period (e.g., personal exemptions, standard deductions, tax brackets, and the Earned Income Tax Credit).

But a lack of planning for inflation is not the only challenge facing the federal gas tax. According to the Federal Highway Administration, the average fuel-efficiency of a passenger vehicle on America's roadways has increased by roughly 12 percent over the last two decades—from 19.3 to 21.6 miles per gallon.[2] For a vehicle with a 15 gallon gas tank, this means that the average driver is able to wear down the roadways with 35 extra miles of driving before they have to stop, refuel, and pay anything in gas taxes. The result has been reduced gas tax collections, and less revenue with which to maintain and improve the nation's transportation network.

In late 2013, ITEP examined the impact of both inflation and fuel-efficiency growth in significant detail and concluded that inflation has, by far, played the larger role in contributing to the HTF funding shortfalls of recent years:

> *Over three-fourths (78 percent) of the current gasoline tax revenue shortfall is a result of Congress' failure to plan for inevitable growth in the cost of building and maintaining the nation's infrastructure. The remainder (22 percent) is due to improvements in vehicle fuel-efficiency.*[3]

This does not need to be the case. Immediately increasing the gas tax and allowing the rate to rise each year alongside a formula that considers both inflation and fuel-efficiency gains would

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[1] This covers the 1993-2013 period in order to be consistent with the fuel-efficiency figures cited below. To be clear, this does not suggest that construction costs have grown in an unprecedented or unexpected way. Prices in the broader economy, as measured by the Consumer Price Index, rose by 61 percent over this same period.
[2] See Table VM-1 from the Federal Highway Administration's *Highway Statistics* series. 1993 data for "passenger cars" and "2-axle, 4-tire trucks" are available at: http://www.fhwa.dot.gov/ohim/1994/section5/vm-1.pdf and 2013 data for "all light duty vehicles" are available at http://www.fhwa.dot.gov/policyinformation/statistics/2013/vm1.cfm.
[3] Institute on Taxation and Economic Policy. "A Federal Gas Tax for the Future." September 22, 2013. Available at: http://itep.org/itep_reports/2013/09/a-federal-gas-tax-for-the-future.php.

put the HTF on a sustainable course for decades to come. Had this reform been implemented in the late 1990s, there would be no question as to the HTF's solvency as the fund would have ran a surplus in every subsequent year, thereby facilitating as much as $215 billion in additional transportation investments. Today, the cost to drivers associated with this reform would be roughly 11 cents per gallon in additional gas taxes—an amount equal to less than $5 per month for the average driver.[4]

Diverse Group of States Show the Way Forward

While federal gas tax increases and reforms have long been viewed as politically impossible, the progress being made in the states shows that there is a practical way forward. Since February 2013, sixteen politically and geographically diverse states stretching from Idaho to Massachusetts have enacted meaningful gas tax increases or reforms.[5]

Partially as a result of these changes, there are now nineteen states that levy a reformed, variable-rate gas tax where the tax rate can automatically grow over time alongside factors such as inflation, gas prices, or fuel-efficiency.[6] Some states, such as Florida and North Carolina, have used these smarter, variable-rate structures for a number of years. Others, such as Pennsylvania and Utah, are more recent additions to this group.

But of all the states with variable-rate gas taxes, Georgia is arguably the leader. In May 2015, Governor Nathan Deal signed a reform that addresses both of the major challenges to the sustainability of the state's gas tax. In addition to a flat, one-time increase in the tax, Georgia's gas tax rate will now be allowed to rise each year to keep pace with both inflation and vehicle fuel-efficiency gains. While the inflation component of this formula is not unusual (similar formulas exist in Florida, Maryland, Rhode Island, and Utah), the fuel-efficiency inflator is the first of its kind.

Issues with Vehicle Miles Traveled Taxes

As electric and highly efficient vehicles have grown in popularity, increased attention has been paid to proposals that would transition the nation's system of transportation finance away from taxes on motor fuel and toward taxes directly on the number of miles driven. On July 1, Oregon will take a significant first step in this direction by allowing 5,000 volunteer drivers to permanently exempt themselves from the state's gasoline tax in exchange for paying a 1.5 cent

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[4] Ibid.

[5] Davis, Carl. "Sweet Sixteen: States Continue to Take On Gas Tax Reform." Tax Justice Blog. May 20, 2015. Available at: http://www.taxjusticeblog.org/archive/2015/05/sweet_sixteen_states_continue.php.

[6] Institute on Taxation and Economic Policy. "Most Americans Live in States with Variable-Rate Gasoline Taxes." May 20, 2015. Available at: http://itep.org/itep_reports/2015/02/most-americans-live-in-states-with-variable-rate-gas-taxes-1.php.

tax on each mile that they drive.[7] While this experiment is a welcome example of forward thinking, there are at least three important caveats to keep in mind.

First, VMT taxes are not a solution to the immediate funding challenges facing the HTF, or to the broader infrastructure funding needs that exist right now. Recent opinion polling shows that VMT taxes are unpopular among the American people, though this may change as people become more familiar with these types of taxes.[8] Moreover, installing the devices needed to track and report vehicle mileage is a costly and time consuming endeavor that could take years or even decades to fully implement, depending on whether efforts are made to retrofit current vehicles with the technology.

Second, even if a VMT tax could be implemented immediately, these types of taxes are not inherently better than gas taxes at weathering the gradual effects of inflation on their purchasing power. Oregon's flat VMT tax of 1.5 cents per mile, for example, is exactly as vulnerable to inflation as the state's flat gas tax of 30 cents per gallon. As we explained in a recent report on this subject:

> *Transitioning from a pay-per-gallon gas tax to a pay-per-mile VMT tax will not necessarily put federal and state transportation revenues on a sustainable course. If the tax rate levied under a VMT tax is not allowed to grow alongside the inflation rate, revenues will quickly begin to lag behind the cost of building and maintaining the nation's infrastructure—much as gas tax revenues have for decades. Lawmakers interested in adequately funding transportation on an ongoing basis should immediately index their gas tax rates to inflation, and should be aware that such indexing will also be needed under any VMT tax they might enact.*[9]

Third and finally, many VMT tax proposals come with worrisome environmental implications. Oregon's upcoming experiment, for example, is expected to be very popular among owners of fuel-inefficient cars who purchase larger volumes of gasoline (and pay higher gas taxes) relative to their neighbors. Paying by the mile, rather than by the gallon, will be of such great benefit to these drivers that lawmakers put a firm cap on the number of inefficient cars allowed into the experiment (only 1,500 slots are reserved for vehicles rated at 17 miles per gallon or less). Hybrid and electric vehicle owners, by contrast, will fare quite poorly under this program. The Oregon Department of Transportation calculates that a Toyota Prius owner could see their taxes rise by as much as $117 per year under this tax.[10] While some of this disparity could be alleviated by reducing the tax rate for vehicles that get better gas mileage, this option has not been a central part of most VMT tax discussions thus far.

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[7] *See* Senate Bill 810 of Oregon's 2013 Regular Session. Additional information on the program is available at http://www.myorego.org/.

[8] Agrawal, Asha Weinstein and Hilary Nixon. "How Do Americans Feel About Taxes and Fees to Fund Transportation?" Mineta Transportation Institute. April 2015. Available at: http://transweb.sjsu.edu/PDFs/research/1428-tax-survey-2015-top-line-results.pdf.

[9] Institute on Taxation and Economic Policy. "Pay-Per-Mile Tax is Only a Partial Fix." May 28, 2014. Available at: http://itep.org/itep_reports/2014/05/pay-per-mile-tax-is-only-a-partial-fix.php.

[10] Oregon Department of Transportation. "How does the road usage charge compare with paying the fuel tax?" May 2015. Available at: http://www.myorego.org/wp-content/uploads/2015/05/orego_odot_cost_comparison.png.

Repatriation: An Ineffective Band-Aid

Rather than deal with the gas tax flaws at the heart of the HTF's current shortfall, some lawmakers have proposed patching the HTF with either a voluntary or mandatory tax on profits held offshore by corporations. These proposals would reward and encourage offshore tax avoidance, while at best only providing a temporary fix to the gap in funding.

The most problematic proposal in this category is known as a repatriation holiday. Under a repatriation holiday, multinational corporations could voluntarily bring back profits held offshore by paying tax on those profits at a rate much lower than the 35 percent rate they would normally owe (one such proposal would set the repatriation rate as low as 6.5 percent).

But repatriation holidays are not a sustainable funding source for the HTF because they would actually lose revenue in the medium- and long-term. In fact, the Joint Committee on Taxation (JCT) found that a repatriation holiday could cost as much as $96 billion in just 10 years.[11] This is because the holiday would encourage companies to hoard even more of their future profits in offshore tax havens in anticipation of another holiday, and because much of the money repatriated under a holiday would have been eventually repatriated at a higher tax rate if the holiday were not enacted.

Aside from a voluntary repatriation holiday, consideration has also been given to enacting a mandatory, or deemed, repatriation tax on corporate profits held offshore. For example, President Barrack Obama has proposed paying for infrastructure with a 14 percent mandatory tax on unrepatriated profits as part of a broad corporate tax reform that would include a 19 percent minimum tax on foreign profits moving forward.

As with a voluntary repatriation holiday, however, this form of mandatory repatriation would reward companies for their current offshore tax dodging with a special lower rate, and would incentivize companies to shift more of their operations offshore in order to enjoy the lower rate.

In addition, while both proposals would raise revenue in the short-term, they are not sustainable solutions. If the HTF is simply patched with a repatriation tax, the fund will inevitably face insolvency yet again in the very near future. The result would be a quick return to the same debate that has been rehashed repeatedly from at least 2008 to the present, and a continued lack of certainty for the agencies responsible for maintaining and enhancing the nation's infrastructure.

Conclusion

The root cause of the Highway Trust Fund's looming insolvency is that its primary revenue source—the federal gas tax—is poorly designed. Specifically, the tax's stagnant and outdated

[11] Barthold, Thomas A. Letter to Senator Orrin Hatch. Joint Committee on Taxation. June 6, 2014. Available at: http://www.hatch.senate.gov/public/_cache/files/1b24c4cf-6005-4a4e-bab7-3d9e3820c509/JCT%206-6-14.pdf.

rate contains no mechanism for growing with inflation, or for dealing with the more recent rise in vehicle fuel-efficiency.

In an effort to address these same flaws in their own gas taxes, state-level lawmakers have increasingly been moving forward with gas tax increases and reforms that could serve as models for federal action on this issue. Rather than focusing on short-term solutions, a growing group of states have transitioned toward a reformed, variable-rate gas tax that can finance economically vital transportation investments in both the short- and long-terms.

Unlike the gas tax, a new tax on the number of miles that drivers travel is not a realistic funding option in the short-term. Moreover, this type of vehicle miles traveled tax (VMT tax) will be unsustainable in the long-term as well if its tax rate is calculated as a flat amount per mile, regardless of changes in inflation.

Of all the proposals under consideration, repatriation is among the most problematic. A repatriation holiday could offer a short-term revenue boost but would provide no funding for transportation in medium- or long-term, and would actually reduce federal revenues overall. Additionally, any repatriation plan comes with the added downside of encouraging corporations to conduct more of their operations offshore (either on paper or in reality).

The gas tax has been the cornerstone of transportation finance for nearly sixty years. As the states have shown, this tax could continue to play this valuable role for decades to come if its rate is simply updated and reformed. Done correctly, the result could be an end to the HTF's perpetual funding crises for decades to come, and the beginning of hugely valuable investments in the nation's transportation infrastructure.

Gas Taxes and MPG

Some people say that the gasoline tax is no longer a viable source of revenue for the highway trust fund because cars are getting better gas mileage. What is the evidence?

Let's play around with statistics on historic gas mileage trends from the EPA:

http://www.epa.gov/otaq/fetrends-complete.htm

Appendix B

Car mileage changes over the decade from 1975 to 1985:

1975 13.5 MPG

1985 23.0 MPG

For a 70 % increase in MPG

Car mileage changes over the decade from 2003 to 2013:

2003 23.0 MPG

2013 27.4 MPG

For a 19% increase in MPG

Things to note:

The 1990s were the lost decade for MPG improvement. Cars in 2003 had the same 23.0 MPG as cars in 1985.

The increase of 17% in the most recent decade was substantially smaller than the increase of 70% in the earlier decade.

So why is it that the gas tax will no longer work because of recent increases in MPG, but the gas tax was still able to work after the much larger increases in MPG from 1975-1985?

Repeating the exercise for Light Trucks:

Light truck mileage changes over the decade from 1975 to 1985:

1975 11.6 MPG

1985 17.5 MPG

For a 51% increase in MPG

Light truck mileage changes over the decade from 2003 to 2013:

2003 16.7 MPG

2013 19.7 MPG

For an 18% increase in MPG

Light truck MPG actually fell over the lost decade of the 1990s.

An increase of 18% in the recent decade, vs. a much larger increase of 51% in the earlier decade.

Once again, the problem is not the technical feasibility of the gas tax after the relatively modest increases in gas mileage over the last two decades compared to the 1975-1985 period. The problem is political will.

Finally, since the last time the Federal gas tax was increased in 1993, inflation has had 3 times the impact on the purchasing power of gas tax revenue as changes in mileage have had. Any revenue source will fail over time if it is not adjusted (automatically or manually) to keep up with inflation.

Consumer Price Index:

1993 144

2013 233

An increase of 62%

Metro

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June 16, 2015

Hon. Paul Ryan
Chairman
House Committee on Ways & Means
1106 LHOB
Washington, DC 20515

Hon. Sander Levin
Ranking Member
House Committee on Ways & Means
1106 LHOB
Washington, DC 20515

Dear Chairman Ryan and Ranking Member Levin:

I am writing on behalf of the Los Angeles County Metropolitan Transportation Authority (Metro) to express our appreciation for the hearing you have scheduled on June 17, 2015 to discuss issues related to the long-term financing of the federal Highway Trust Fund. Metro strongly supports efforts by the U.S. Congress to ensure the solvency of the federal Highway Trust Fund in order to permit the adoption of a fully funded long-term surface transportation authorization bill in the 114th Congress.

Working in partnership with the U.S. Department of Transportation and with funding from the federal Highway Trust Fund, Metro is working on an ambitious program of improving the environment, building a vibrant economy, and reducing congestion for the residents of Los Angeles County, the country's most populous county. By utilizing a mix of federal, state and local funds, our agency has five major rail projects under construction, dozens of freeway improvements underway, among other alternative transportation initiatives. To continue building our projects, which employ thousands of public and private sector employees, Metro will need a fully funded federal Highway Trust Fund. Like many Members of Congress and transportation stakeholders across the nation, we are concerned that our positive efforts to improve mobility for the ten million residents of Los Angeles County will be compromised should the federal Highway Trust Fund, as highlighted by the Congressional Budget Office, face significant funding shortfalls.

In 2008, the voters of Los Angeles County passed Measure R, a half-cent sales tax, to fund an unprecedented number of transportation projects. Many of these projects, which depend on resources from the federal Highway Trust Fund, are well underway and represent some of the largest public works projects in the country. Because our agency is determined to continue building our Measure R projects without delay, we are encouraged by your decision to hold a hearing on the long-term solvency of the federal Highway Trust Fund.

Thank you in advance for considering Metro's strong support for maintaining the federal government's commitment to investing in transportation programs and projects. Please do not hesitate to contact me at (213) 922-7555 with any comments on this correspondence or on any other matter.

Sincerely,

Phillip A. Washington
Chief Executive Officer

Statement of the American Truck Dealers Division
National Automobile Dealers Association
A Hearing Entitled
"Long-Term Financing of the Highway Trust Fund"
Before the House Ways and Means Committee
June 17, 2015

Mr. Chairman, thank you for the opportunity to submit the comments of the American Truck Dealers Division (ATD) of the National Automobile Dealers Association (NADA), to the hearing record. NADA is a national trade association that represents 16,000 franchised new car and truck dealers and collectively employs more than one million individuals. NADA has almost 1,800 ATD members, which represents 82 percent of commercial truck dealers.

MAP-21, the current highway authorization, will expire on July 31, 2015. While there is bipartisan support for a long-term highway bill, the biggest challenge is funding the currently insolvent Highway Trust Fund (HTF). If Congress were to maintain the Federal surface transportation program at current levels, the HTF would need an additional $168 billion in revenue through 2025.[1]

Currently, a 12 percent federal excise tax (FET) on new heavy-duty trucks contributes revenues to the HTF. Proposals have been made to increase the FET as a way to raise revenue for the depleted HTF. The FET already depresses new truck sales and increasing this tax would further slow deployment of cleaner, safer, and more fuel efficient trucks. Congress should also consider lowering or eliminating the tax to address the detrimental impacts of the tax on safety, the environment, and the truck industry.

The truck FET was originally imposed in 1917 to help defray the cost of World War I.[2] This tax, applicable to most new highway heavy-duty trucks, tractors, and trailers, has risen from 3 percent of the selling price to 12 percent today, **making it the highest percentage excise tax Congress levies.** With the average retail price of a new heavy-duty truck near an all-time high of $169,000, the 12% FET costs truck customers roughly $20,000.

Unfortunately, the FET has the effect of discouraging businesses from buying new heavy-duty trucks that are safer, cleaner, and more fuel efficient, and encourages trucking companies to hold on to their older trucks longer.

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[1] "Projections of Highway Trust Fund Accounts", CBO March 2015 Baseline, issued Jan. 26, 2015. http://www.cbo.gov/sites/default/files/cbofiles/attachments/43884-2015-03-HighwayTrustFund.pdf

[2] FHWA, Federal Tax Rates on Motor Vehicles and Related Products, September 1999: http://www.fhwa.dot.gov/ohim/hs98/tables/fe101b.pdf. In recent years, some even have suggested increasing the FET. For example, in 2013, the Senate Finance Committee included an FET increase of 1 percent (to 13 percent) in an "options paper" on infrastructure funding. Additionally, a Government Accountability Office report, "Highway Trust Fund, Pilot Program Could Help Determine the Viability of Mileage Fees for Certain Vehicles", (December 13, 2012) concluded that Congress consider "new revenues" on commercial trucking.

An increase in the FET would be in addition to the cost of new federal emissions and fuel economy mandates that are increasing the price of new heavy-duty trucks. For example, the Owner Operator Independent Drivers Associations (OOIDA) calculated the average per truck regulatory costs associated with the Environmental Protection Agency's (EPA) MY 2004-2010 truck emissions standards to be $20,000-30,000.[3]

Additionally, EPA has proposed a new set of commercial truck fuel economy/greenhouse gas rules that require fuel economy increases of up to 24% by 2027. The Obama administration estimates that its proposal, phased in between model year 2018 and 2027, will cost at least $25 billion or some three times the estimated cost of Phase 1. According to a recent *New York Times* article, "It is expected that the new rules will add $12,000 to $14,000 to the manufacturing cost of a new tractor-trailer…"[4] Together, the cost of these new standards, coupled with associated increases in the FET, will price many truck purchasers out of the market.

The complexity of assessing and remitting the FET is another major area of concern. Truck dealers spend considerable time and attention navigating the byzantine and complex IRS regulations associated with the collection of the tax. ATD continually gets questions from truck dealerships regarding how FET should be calculated and collected. In fact, ATD's guide for truck dealers on collecting and remitting the FET is over one hundred pages long. The many exceptions and gray areas related to the FET make it t ripe for IRS audit and impose significant financial and administrative challenges for small business truck dealerships and customers alike to stay in compliance.

The HTF is in desperate need of reliable and consistent funding into the future. The FET fails to provide certainty and in fact is a very volatile tax. For example, the FET generated a little over $1.4 billion in 2008 when truck sales took a hit during the recession.[5] In 2013, on the other hand when the truck market came back $3.2 billion was generated for the HTF.[6] The FET is not a user fee but a tax on a product. When truck sales are down the revenue into the HTF is directly impacted.

H. Con. Res. 33

H. Con. Res. 33, introduced by Reps. Reid Ribble (R-WI) and Tim Walz (D-MN), is a bipartisan concurrent resolution that would put Congress on record in opposition to any increase in the FET on heavy-duty trucks and trailers. ATD strongly supports this bipartisan resolution which to date has 26 cosponsors. The following organizations have endorsed this concurrent resolution: American Highway Users Alliance, American Truck Dealers, Daimler Trucks North America, Mack Trucks, Inc., Meritor WABCO, NAFA Fleet Management Association, National Trailer

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[3] Scott Grenerth (Professional driver and member of OOIDA), Testimony before the House Committee on Oversight and Government Reform, (October 12, 2011).

[4] Aaron M. Kessler and Coral Davenport, *E.P.A. Proposal Will Put Bigger Trucks on a Fuel Diet*, The New York Times, (May 30, 2015).

[5] FHWA, Office of Highway Policy Information, October 2007 to September 2008: http://www.fhwa.dot.gov/policyinformation/statistics/2008/fe10_2008.cfm

[6] FHWA, Office of Highway Policy Information, October 2012 to September 2013: http://www.fhwa.dot.gov/policyinformation/statistics/2013/fe10.cfm

Dealers Association, Navistar, NTEA – The Association for the Work Truck Industry, Owner Operator Independent Drivers Association, Recreation Vehicle Industry Association, Truck & Engine Manufacturers Association, Truck Renting and Leasing Association, Truck Trailer Manufacturers Association and Volvo Trucks North America.

Conclusion

ATD strongly supports an equitable long-term funding solution for the HTF designed to ensure that Americans travel safely on our roads and there is a reliable roadway system for goods to travel to market in a cost effective manner. ATD believes that a user fee approach is the fairest and most efficient way to achieve these goals. Finally, Congress should not only oppose any increase in the FET, since this excise tax contradicts government mandates for a cleaner, safer, and more fuel efficient truck fleet, but it should also examine the adverse impacts of the FET policy particularly on the nearly 7 million Americans employed in the trucking industry.

NATIONAL ASSOCIATION OF Manufacturers

Robyn Boerstling

Director, Transportation & Infrastructure Policy
Infrastructure, Legal and Regulatory Policy

June 17, 2015

The Honorable Paul Ryan
U.S. House of Representatives
Washington, DC 20515

The Honorable Sander Levin
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Ryan and Ranking Member Levin:

The National Association of Manufacturers (NAM) believes increased funding for the nation's transportation infrastructure is a critical priority which will help keep manufacturing competitive and grow the nation's economy. Manufacturers appreciate your commitment and interest in securing the financial health of the Highway Trust Fund (HTF), the main funding mechanism for the nation's highway and transit systems.

While competitor nations continue to ramp up investments in transportation infrastructure, the United States risks a continued slide in the opposite direction. The level of real capital investment in highways and roads declined 20 percent from 2003 to 2012.

A long-term approach to funding infrastructure is needed to avoid uncertainty and ensure states have the ability to undertake multi-year and complex transportation investments such as new bridge replacements, improved interchanges, transit upgrades and additional capacity to relieve congestion that chokes our roads. Because many states do not have the resources or ability to keep up with the demands of aging or deteriorating infrastructure, the federal and state partnership is critical to maintain. No state in our Union would be better off on its own.

Transportation funding is a productive investment but manufacturers urge caution when considering tax proposals that promise to provide the resources for transportation investments over the next several years. For example, stand-alone proposals to tax overseas earnings outside of comprehensive tax reform represent a massive retroactive tax on manufacturers and would impose an additional cost burden on U.S. companies at a time when they already face significant challenges in the global marketplace.

The federal government has a fundamental role to play in investing in the nation's highways and transit systems to serve passenger travel, interstate commerce and national defense. Unlike most other government programs, the HTF was designed to be funded by federal fuel taxes and truck excise fees paid by those who use and benefit from access to our transportation networks. We encourage Congress to recognize the importance of user fees in developing a solution to the current HTF funding crisis in addition to the other potential funding mechanisms, but also begin to develop future pathways that will lead to new approaches that will ensure appropriate funding levels in the years to come.

Manufacturers welcome the Administration and Members of Congress in both parties working together to take decisive action on a multi-year funding solution for the HTF. We look forward to working with you and appreciate your consideration of this important issue.

Sincerely.

Robyn M. Boerstling

NATIONAL CONFERENCE *of* STATE LEGISLATURES

The Forum for America's Ideas

STATEMENT FOR THE RECORD BY
DELEGATE SALLY JAMESON,
MARYLAND HOUSE OF DELEGATES
AND
SENATOR CAM WARD,
ALABAMA SENATE
Co-Chairs of the Natural Resources and Infrastructure Committee,
National Conference of State Legislatures

ON BEHALF OF THE
NATIONAL CONFERENCE OF STATE LEGISLATURES

LONG TERM FINANCING OF THE HIGHWAY TRUST FUND

TO THE
COMMITTEE ON WAYS AND MEANS,
UNITED STATES HOUSE OF REPRESENTATIVES

JUNE 17, 2015

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On behalf of the National Conference of State Legislatures (NCSL), a bipartisan organization representing the 50 state legislatures and the legislatures of our nation's commonwealths, territories, possessions and the District of Columbia, we applaud Chairman Ryan, Ranking Member Levin, and the other distinguished members of the House Ways and Means Committee for making this hearing a priority. It represents a key step in examining the need for federal transportation infrastructure investments. It is important that all parties, including state legislatures, work together to ensure a safe and reliable surface transportation system throughout the country.

As you know, on August 1 the highway account of the Highway Trust Fund (HTF) is forecast to fall below the critical $4 billion funding level. This will likely result in the U.S. Secretary of Transportation employing certain cash management strategies that could both delay or reduce reimbursements to states for critical surface transportation infrastructure projects. NCSL urges Congress to ensure the continued solvency of the Highway Trust Fund (HTF), while committing to adopt a long-term agreement on surface transportation funding as part of a multi-year reauthorization of the Moving Ahead for Progress in the 21st Century Act (MAP-21).

Although the enactment of MAP-21 in 2012 put a brief end to the numerous short-term extensions that followed the expiration of the Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU) in 2009, it unfortunately appears that Congress is returning to this pattern. The uncertainty that pervades short-term extensions makes it extremely challenging for states to adequately plan and achieve their performance targets especially because many transportation infrastructure projects require a multi-year commitment. This uncertainty has already caused some states to defer projects. These delays have a harmful impact on a state’s economy. It is difficult to overstate the negative state impacts this uncertainty creates.

Despite federal inaction, over the past two and half years, state legislators in more than a quarter of states, from Maryland and Virginia to Iowa and South Dakota, have stepped forward and invested billions of dollars to repair and upgrade our nation's surface transportation assets to ensure their continued safety and viability. However, the significant steps taken by many states must not be misconstrued. NCSL is a strong supporter of the federal government's role in a national surface transportation system that facilitates interstate commerce, addresses fairly and equally the mobility needs of all Americans and meets our national defense needs. We would also stress that NCSL supports the continuation and preservation of a federal-aid surface transportation program that directs spending to national priorities while providing flexibility for states to address regional variations. The federal program should provide states maximum flexibility in deciding how to generate and leverage transportation revenues and how to use state and federal dollars. The ability of states to maintain flexibility in decision making and comply with environmental and other mandates depends on regulatory flexibility as well as adequate and reliable federal funding.

Revenues for our transportation system continue to decline as vehicles become more fuel efficient and travel patterns change nationwide. The American Society of Civil Engineers has estimated America's surface transportation infrastructure faces a funding gap of about $94 billion a year based on current spending levels.[1] Taking all of this into account, NCSL urges Congress to work closely with states to develop a new shared, long-term vision for financing and funding our nation's surface transportation systems, one that will enhance the nation's prosperity, the quality of life of all Americans and guide it beyond the Interstate Highway era into the 21st century. NCSL believes that Congress must:

- Provide a short term increase in federal highway transportation funding, based on the current status of the Highway Trust fund, so that sufficient funds are available for the next authorization until a new, more stable long-term funding mechanism for surface transportation can be put in place.

- Examine innovative funding systems that capture all system users and encourages pilot programs in states for experimentation with approaches, methods and mechanisms. Any system must ensure both the privacy of users and provide maximum flexibility for states in the use of funds they receive from the HTF.

- Approve the creation of a $20 million program, with no more than $2 million available for allocation to any one state, to support state-level pilot programs that explore transportation funding alternatives to fuel taxes.

- Migrate the Highway Trust Fund (HTF) from a gas tax to a new national funding stream. A federal trust fund financed by user fees, should be retained as the primary method of funding federal-aid surface transportation programs. It must provide states a sustained, reliable source of transportation funding.

- Make all funding and financing options available to state legislatures for state and federal-aid surface transportation programs. Statutory and regulatory barriers to state and locally-generated revenues should be removed, including all current federal restrictions on states' authorities to toll, to allow states to optimize resources for capacity expansion, operations and maintenance, while ensuring free flow of goods and people.

- Encourage and expand incentive-based programs in order to spur local and regional transportation innovation in full coordination with state authorities. A comprehensive approach would promote the use of tolling, congestion pricing, public transit, telecommuting, real-time traffic and other advanced technologies (also known as intelligent transportation systems), and other strategies to achieve interstate mobility goals through urban congestion reduction.

- Ensure states have continued flexibility to create legislative and programmatic frameworks for Public Private Partnerships (PPPs) and full authority to select and engage in PPP projects. While the level of private sector participation is best determined by state and local authorities, federal guidelines should be designed to accommodate private sector support, although private participation should not be a prerequisite for receiving federal funds.

- Continue credit-based and loan guarantee programs, including the Transportation Infrastructure Finance and Innovation Act (TIFIA), Grant Anticipation Revenue Vehicles (GARVEE), private activity bond, and State Infrastructure Bank (SIB) programs, in order to incentivize private sector investment—particularly for freight mobility by rail, highway and waterway—in projects sponsored by the public sector.

- Provide incentives and adequate funding for mass transit.

- Avoid the expansion of federal-local funding streams without appropriate coordination with state legislatures as these complicate state-local relationships, financial arrangements, and state match expectations for transportation programs.

NCSL appreciates the opportunity to submit testimony on this important issue before the Committee. We respectfully request it be submitted for the record along with NCSL policies on surface transportation.

Appendices:

NCSL Surface Transportation Federalism Policy Directive

NCSL Solving America's Long Term Funding Crisis Policy Resolution

[1] American Society of Civil Engineers. "2013 Report Card for America's Infrastructure." May 2013. http://www.infrastructurereportcard.org/

NSSGA

NATIONAL STONE, SAND & GRAVEL ASSOCIATION

STATEMENT FOR THE RECORD

BY

THE NATIONAL STONE, SAND & GRAVEL ASSOCIATION

SUBMITTED TO THE

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

"LONG TERM FINANCING OF THE HIGHWAY TRUST FUND"

JUNE 17, 2015

Chairman Ryan, Ranking Member Levin, and other members of the Ways and Means Committee:

The National Stone, Sand and Gravel Association (NSSGA) appreciates the opportunity to submit a statement for the record of this full Ways and Means Committee hearing and to address the importance of the nation's surface transportation system and finding a sustainable, long term funding solution.

NSSGA is the leading voice and advocate for the aggregates industry. Its members – stone, sand and gravel producers and the equipment manufacturers and service providers who support them – produce the essential raw materials found in homes, buildings, roads, bridges and public works projects. During 2014, NSSGA member companies represented more than 90 percent of the crushed stone and 70 percent of the sand and gravel consumed annually in the U.S., and there are more than 10,000 aggregates operations across the United States. Nearly every congressional district is home to an aggregate facility. Production of aggregates in the U.S. in 2014 totaled 2.39 billion tons at a value of $20.3 billion.

Aggregates and the Economy

Aggregates are the foundation of our business and an essential American industry that serves as a barometer for the rest of the U.S. economy. Stone, sand and gravel are essential to any construction project – public and private. When the demand for our products is high, the nation is growing, jobs are being created and essential national assets are being built. If the aggregates industry is doing well, America is doing well.

Aggregates are used in nearly all residential, commercial, and industrial building construction. They are also used for many environmental purposes, including pervious pavements and other LEED building practices, the treatment of drinking water and sewage, erosion control on construction sites, and the treatment of air emissions from power plants. While Americans take for granted this essential natural material, it is imperative for the construction of our infrastructure and homes and for positive growth in our communities.

Sales of natural aggregates generate over $40 billion annually for the U.S. economy. When combined with related industries, such as cement, concrete, asphalt and construction equipment and supplies, the transportation construction industry generates more than $200 billion in economic activity every year and employs more than two million people. The aggregates industry alone employs approximately 100,000 highly-skilled men and women. At its core, surface transportation reauthorization is a jobs bill that results in long-term national assets.

Through its economic, social and environmental contributions, aggregates production helps to create sustainable communities and is essential to the quality of life Americans enjoy. Aggregates are a high-volume, low-cost product. Due to high product transportation costs, proximity to market is critical; unlike many other businesses, we cannot simply choose where we operate. Our members are limited to where natural forces have deposited the materials we mine. Generally, once aggregates are transported outside a 25-mile limit, the cost of the material can increase 30 to 100 percent. Because so much of our material is used in public projects, any cost increases are ultimately borne by the taxpayer. Since our members operate near areas of limited quality reserves we ship up to 200 miles via truck and rail to meet the demand where quality aggregates are not locally available. This is only possible using adequately maintained highways and railways.

Over the past eight years, the aggregates industry, like many others, has experienced the most severe recession in its history with the federal regulatory tsunami causing further harm to an industry that has seen production drop by 39 percent since 2006. During that time, when the commercial and residential construction markets slowed to a crawl, we were forced to scuttle expansions, lay off employees and alter our business plans.

Our highway system infrastructure continues to deteriorate at a rate much faster than we are making repairs. Our local towns, counties and state DOTs struggle to maintain adequate conditions, to say nothing of reconstructing roads that have exceeded design life or design capacity. With federal funding in a continual state of limbo, states are unable to adequately plan for long term infrastructure repair and maintenance. Businesses struggle to strategically allocate resources due to ongoing uncertainty. Our equipment is extremely expensive, so making huge capital equipment investments without a clear vision is difficult at best. Many things need to fall into place to do a project in the shortened construction seasons of parts of the U.S. While it may not seem like long time, a four-week delay in funding or awarding contracts can cause a project to lose a complete construction season and add to its cost. This has a ripple effect, impacting businesses along the supply chain resulting in a great deal of economic distress.

Solve the Funding Nightmare

The business of successfully building and maintaining our national surface transportation infrastructure depends in large measure on funding stability and year-over-year predictability provided by the surface transportation authorization. The extension of the current law, MAP-21, expired on May 31.

Congress passed a two-month extension of the program to July 31, which continues authorization of the program and allows continued expenditures from the Highway Trust Fund. It was the 33rd short-term extension of the program over the past six years. At the end of July, the Highway Trust Fund is expected have a balance of $3.5 billion.

Congress needs to do what they were elected to do and stop kicking the can down the road by addressing the long-term funding of our nation's surface transportation infrastructure. No more short-term extensions. Reauthorization is critical to NSSGA's many small and large aggregates producers.

Last increased in 1993, the transportation user fee has outgrown its current buying power. The cost of materials and labor has gone up dramatically since then, as well as increased fuel efficiency. In order to keep up with the twenty-first century, two commissions, created by the last multi-year surface transportation reauthorization law, recommended a simple, straightforward, effective solution -- to increase the motor fuel user fee coupled with indexing it to inflation. The commissions' reports suggested other potential revenue sources; so, too, have reports from a host of organizations. Revenue options are not the problem.

In order to overcome the highway funding gap, NSSGA supports the adoption of any user-fee based funding options and innovative finance tools to provide federal and state transportation departments with the funding they need to make critical investments in our transportation infrastructure. It is our contention that a user fee based funding approach, such as a motor fuel based user fee, is the most rational and easily implementable funding solution available in the short to medium term.

Long-Term Certainty

Continued patches and temporary fixes hurt future and existing projects as states and localities are hesitant to move forward out of fear the federal government will not meet its funding obligations.

In the absence of a long-term plan, our members' customers are telling them they are not sure what the next years are going to bring to them, thereby causing our members to withhold investment in plants and new machinery for the foreseeable future. It is increasingly difficult to do long range workforce planning due to uncertain demand.

Multi-year surface transportation reauthorizations are particularly vital for the funding confidence they instill in state departments of transportation. When they know that the Federal Highway Administration will apportion their funding year after year, in the amount authorized, they have confidence that their state expenditures will be reimbursed. The states then award contracts, and the process of building and maintaining our transportation infrastructure can proceed smoothly. Confidence in the stability of the program is a critical factor in ensuring success, particularly for small businesses.

When there are doubts, as there are today, awards for construction slow. Already Arkansas, Georgia, Tennessee, Wyoming Montana, Nevada, Utah, Colorado, Nebraska, Mississippi, Pennsylvania, West Virginia, Connecticut, Vermont and Maryland have either delayed or cancelled highway, bridge or transit capital projects this year or are considering doing so because of uncertainty over future federal funding. Congressional highway program extensions have affected $1.3 billion in transportation improvement projects.

There are those that say we should devolve the program to the states in order to return maximum discretionary authority and fiscal responsibility to them for all elements of the national surface transportation systems. It is critical to remember that the federal government's role in maintaining the national road network, which carries more than 73 percent of the 48 million tons of goods transportation across the country daily, is a constitutional one. Article 1, Section 8, directs the federal government "To establish Post Offices and post Roads," or the forerunner of our national highway system. Devolution of the program would saddle the states with 90 percent of the fiscal responsibility for supporting highways that the federal government has an obligation to establish. In order to make up lost federal monies, Wisconsin would have to raise both the gas user fee and the diesel fuel user fee 20.6 cents just to flat fund their program.

A better approach is to reform the system, not risk the nation's economic future by disinvesting in a highway system that is already under-funded.

Conclusion

We recognize the difficulty in finding long-term funding for the highway program. NSSGA supports an all-the-above approach to fund our nation's infrastructure projects. We also understand that no one funding mechanism is a panacea. In the absence of action, the costs to maintain and improve our nation's vascular system only increase. Meanwhile, Americans are becoming more and more frustrated with the growing number of potholes, cracked roads and traffic jams plaguing our roads, highways, and bridges. According to the Texas Transportation Institute Americans spend 38 hours and $121 billion in wasted fuel sitting in the congestion plague our urban areas. Extra vehicle repairs and operating costs are costing $94 billion a year billion -- $444 per motorist.

President Eisenhower signed the law creating the National Interstate Highway System nearly sixty years ago. It was designed to last 25 years. We are 34 years beyond is useful life. Is it any wonder that it is deteriorating?

The least expensive way not to waste fuel and to improve air quality is to increase the capacity of our roads and bridges and alleviate congestion. The Federal Highway Administration estimates that each dollar spent on road, highway and bridge improvements results in an average benefit of $5.20 in the form of reduced vehicle maintenance costs, reduced delays, reduced fuel consumption, improved safety, reduced road and bridge maintenance costs and reduced emissions as a result of improved traffic flow.

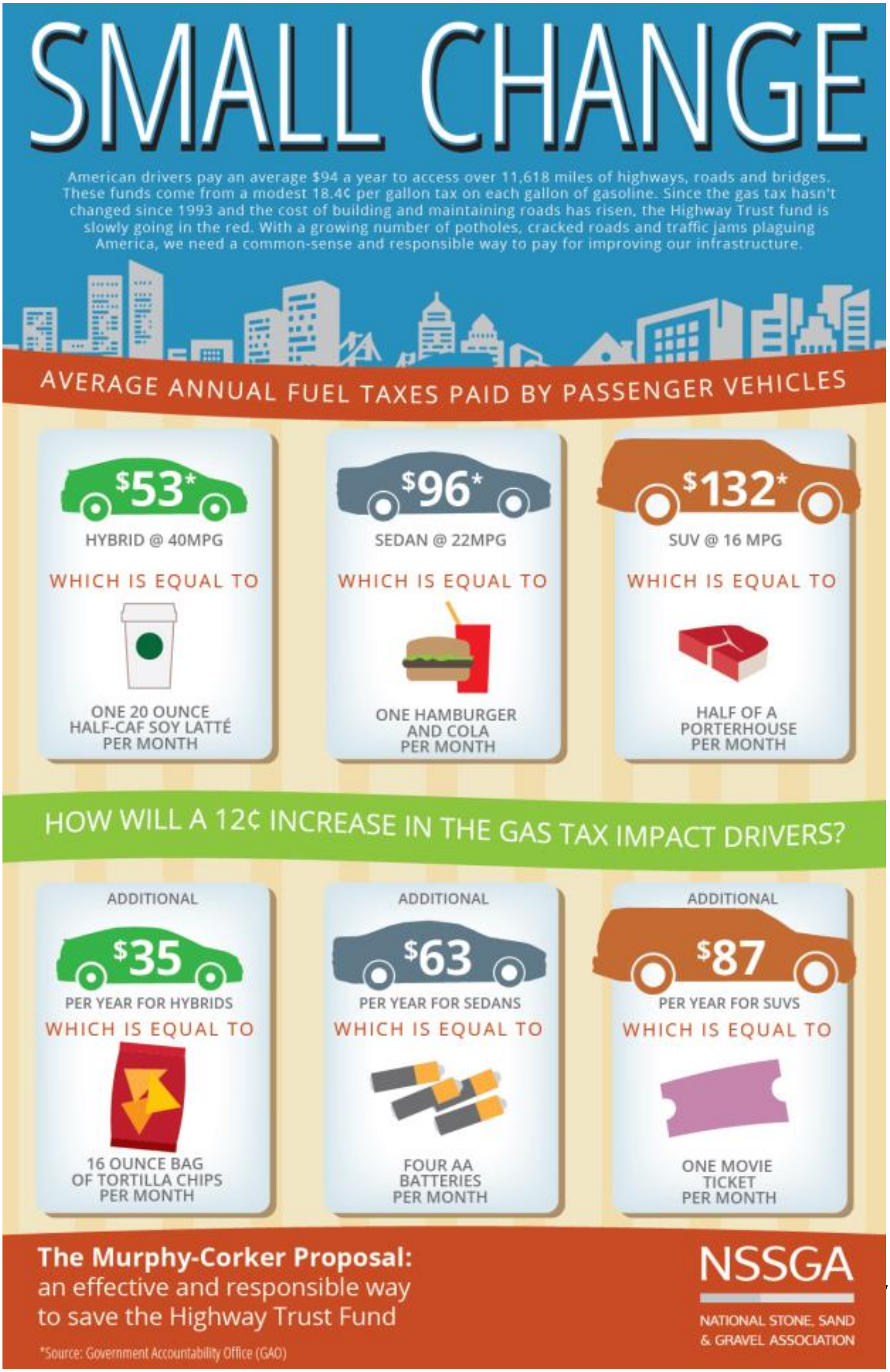
Improved safety is another important reason to pass a multiyear highway reauthorization bill now. There were 32,719 traffic fatalities in 2013 in the U.S. A total of 165,340 people died on U.S. highways from 2009 through 2013. The fatality rate on the nation's rural roads is disproportionately higher than that on all other roads.

Mr. Chairman, NSSGA thanks you for holding this very important hearing. Congressional action on a multi-year surface transportation reauthorization, one that increases investment in the nation's roads, bridges, and highways, is of utmost importance to the aggregates industry. Our industry, like most businesses, requires certainty to make sound capital investment decisions. Reverting to short-term extensions will only create havoc in resource development decisions and construction projects.

Attached to this statement are two infographics that NSSGA put together. “Small Change” calculates the real costs to the average American of the Corker-Murphy proposal to increase the fuel user fee $12 cents. The second infographic shows visually the costs of doing nothing.

NSSGA looks forward to continuing to work with the committee in doing what is right for America. If we ignore the maintenance and improvement of our nation’s road and highway network – the circulatory system of America, it is at our own peril, we risk the loss of economic growth, improved safety, cleaner air, and jeopardize the freedom of mobility we all take for granted.

Attachments



SMALL CHANGE
American drivers pay an average $94 a year to access over 11,618 miles of highways, roads and bridges. These funds come from a modest 18.4¢ per gallon tax on each gallon of gasoline. Since the gas tax hasn't changed since 1993 and the cost of building and maintaining roads has risen, the Highway Trust fund is slowly going in the red. With a growing number of potholes, cracked roads and traffic jams plaguing America, we need a common-sense and responsible way to pay for improving our infrastructure.
AVERAGE ANNUAL FUEL TAXES PAID BY PASSENGER VEHICLES
$53*
HYBRID @ 40MPG
WHICH IS EQUAL TO
ONE 20 OUNCE HALF-CAF SOY LATTÉ PER MONTH
$96*
SEDAN @ 22MPG
WHICH IS EQUAL TO
ONE HAMBURGER AND COLA PER MONTH
$132*
SUV @ 16 MPG
WHICH IS EQUAL TO
HALF OF A PORTERHOUSE PER MONTH
HOW WILL A 12¢ INCREASE IN THE GAS TAX IMPACT DRIVERS?
ADDITIONAL
$35
PER YEAR FOR HYBRIDS
WHICH IS EQUAL TO
16 OUNCE BAG OF TORTILLA CHIPS PER MONTH
ADDITIONAL
$63
PER YEAR FOR SEDANS
WHICH IS EQUAL TO
FOUR AA BATTERIES PER MONTH
ADDITIONAL
$87
PER YEAR FOR SUVS
WHICH IS EQUAL TO
ONE MOVIE TICKET PER MONTH
The Murphy-Corker Proposal:
an effective and responsible way to save the Highway Trust Fund
NSSGA
NATIONAL STONE, SAND & GRAVEL ASSOCIATION
*Source: Government Accountability Office (GAO)


ROUGH ROAD AHEAD
THE ECONOMIC IMPACT OF AMERICA'S FAILING TRANSPORTATION INFRASTRUCTURE BY 2020
Families have a LOWER STANDARD OF LIVING.
American families would earn $700 less each year.
+
And spend $360 more each year.
=
Total impact on each family's budget: $1,060 per year.
American businesses and workers PAY A HEAVY PRICE.
America would lose 877,000 jobs.
Another 234,000 jobs exist only if many more workers agree to paycuts.
Between now and 2020 transportation costs increase $430B.
AMERICA LOSES GROUND in the global economy.
U.S. exports would drop by $28 billion.
+
Exports drop in 79 of 93 different tradable commodities.
=
America's gross domestic product underperforms by $897B.
FOR AN ADDITIONAL INVESTMENT OF $94B PER YEAR WE CAN:
+ Create millions of jobs
+ Protect another 1.1 million jobs
+ Save nearly 2 billion hours in travel time
+ Save each family $1,060 per year
+ Add $2,600 in GDP for every person in the U.S.
Source: American Society of Civil Engineers

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June 23, 2015

United States House of Representatives
Committee on Ways & Means
1102 Longworth House Office Building
Washington, DC 20515
Via email to: waysandmeans.submissions@mail.house.gov

Re: funding for infrastructure investments

Dear Chairman Ryan and Honorable Committee Members,

On behalf of Public Citizen's more than 400,000 members and supporters, we appreciate the opportunity to submit this statement for the record outlining our recommendations for securing long-term funding for transportation and infrastructure funding.

Public Citizen strongly urges the committee to consider funding options that both maximize the benefit for taxpayers and that are sustainable over the long term. For these reasons, we recommend that you avoid short-term fixes such a repatriation tax holiday for multinational corporations' profits stashed overseas and concentrate instead long-term funding sources that would also create an incentive to reduce harmful emissions from vehicles such as increasing the gas tax or implementing a tax on carbon.

It's clear that America has an infrastructure crisis: bridges are crumbling, roads are in desperate need of repair and mass transit options are too few and far between. The American Society of Civil Engineers 2014 "Report Card for America's Infrastructure" estimates that $3.6 trillion in investments are needed to modernize and repair U.S. infrastructure.

The short-term funding for the Highway Trust Fund will run out again this summer, and it is encouraging that this committee is searching for long-term funding solutions instead of continuing to move from patch to patch as has been done in recent past. However, as you weigh your options, it is important to not choose solutions that would be a losing proposition for American taxpayers.

One such losing proposition is a repatriation “holiday” for taxes owed on profits listed as being earned by foreign subsidiaries of American corporations. Because of the current system of deferral, where taxes may be indefinitely put off until profits are repatriated or “brought back” to the U.S. in the form of dividends or other shareholder payments, multinational corporations are able to play games with their accounting books and transfer profits between entities, usually to companies located in low or no tax jurisdictions (or “tax havens.”)

This type of corporate tax haven abuse costs the federal government $90 billion in lost revenue every year. In total, more than $2 trillion in profits are booked offshore. It’s true that without changes to our tax code, those monies will continue to be stashed in offshore accounts. But, it is not a good solution to allow corporations to voluntarily repatriate those profits at much lower tax rates than would have otherwise been due, using a tactic that is known as a “repatriation holiday.” This experiment was tried and failed in 2004, and as a country we must learn our lesson and not repeat the same mistake.

A 2011 Senate report analyzing the tax repatriation holiday in 2004 found that much of the profits that multinational corporations were supposedly holding offshore were actually sitting in U.S. bank accounts and other assets, undercutting the concept of “bringing the money back.” And, the repatriated taxes came from a small number of corporations that used the money to pay dividends instead of reinvesting in the economy and at the same time ended up cutting their workforces.

Proposals like the one offered by U.S. Sens. Barbara Boxer (D-Calif.) and Rand Paul (R-Ky.) would allow companies to choose to repatriate offshore taxes at the bargain-basement rate of only 6.5 percent, slightly more than 1 percent higher than the rate used in the 2004 tax holiday. The Joint Committee on Taxation scored the Boxer-Paul bill as costing $118 billion over 10 years. In addition to losing money in the long run, as a funding option, a repatriation holiday would only be a one-time source of money that would do nothing to fix the long-term funding shortfall for infrastructure investments. Additionally, allowing another repatriation holiday would reward corporations that have for years avoided paying taxes by using accounting gimmicks to shift profits to the books of related foreign corporations.

Mandatory “deemed repatriation” proposals, such as the 14 percent rate put forward by President Barack Obama in his FY 2016 budget proposal, are still not a good deal for taxpayers. This is because corporations are given a break on the tax rate, forcing the U.S. to give up the other 21 percent of taxes that could have been assessed if loopholes like deferral were ended and companies were forced to pay the full 35 percent statutory rate on offshore profits (after receiving a credit for foreign taxes paid.) Research by the Institute for Policy Studies and the Center for Effective Government in their April 2015 “Burning our Bridges” report examines the myriad of infrastructure investments that could be made if loopholes were closed and offshore profits were taxed at the full statutory rate.

Though the President’s budget proposal was encouraging in that it proposed to require a minimum tax on offshore profits of 19 percent moving forward, meaning it could be used for a long-term funding source, given the difference between that rate and the normal statutory rate, it would continue the incentive for companies to play accounting games and shift profits to overseas subsidiaries.

A better alternative would be to instead fund transportation and other infrastructure investments with long-term funding pots that are not only sustainable, but that are tied to the use of highways and would incentivize positive behavioral shifts to reduce emissions that contribute to climate change. Examples include increasing the gas tax and instituting a carbon tax.

The gas tax has not been raised for more than two decades and because of inflation, the value of the 18.4 cent tax continues to fall. The gas tax provides a disincentive for fuel use, and it makes sense to raise the tax since it has not been changed since 1993. It should also be tied to inflation in order to ensure its value holds steady.

Another great option for long-term funding for infrastructure investments (among other things) would be to implement a tax on carbon dioxide pollution, with a refund given to U.S. consumers on a per capita basis as a way to balance out the regressive nature of the tax. Since transportation produces around a third of our nation's CO2 pollution, which causes climate change, it makes sense to tie a portion of the proceeds from a carbon tax to fund improvements to highways and mass transit.

Either way, both the gas tax and a carbon tax would be directly tied to the use of our highways and provide long-term solutions to funding infrastructure investments, as opposed to a one-time option like a corporate tax repatriation holiday.

The American people should not have to settle for a repatriation holiday's discounted tax revenue at the expense of further incentivizing activities by multinational corporations that disadvantage responsible small business owners and ordinary taxpayers. Instead, the incentive we should be creating is to reduce carbon pollution and limit the harmful impacts of climate change.

Thank you again for the opportunity to submit our thoughts on this important topic.

Sincerely,

Lisa Gilbert
Director
Public Citizen's Congress Watch division

Susan Harley
Deputy Director
Public Citizen's Congress Watch division

Tyson Slocum
Director
Public Citizen's Energy program

ALAN LOWENTHAL
47TH DISTRICT CALIFORNIA

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June 15, 2015

Chairman Paul Ryan
Ranking Member Sander Levin
House Ways and Means Committee
1102 Longworth HOB
Washington D.C. 20515

Dear Chairman Ryan and Ranking Member Levin,

I applaud Chairman Ryan and Ranking Member Levin for holding a House Ways and Means hearing to address the shortfalls in the Highway Trust Fund (HTF). I support and encourage the committee to explore new long-term, sustainable user fee options for the HTF. I do, however, have a significant concern that I respectfully ask the committee to consider – ***fixing the HTF will not fix freight infrastructure.***

Goods movement depends on multimodal interconnected systems while the HTF singularly funds highways. Freight movement runs through air, sea and inland ports, roads, rail, international border crossings and warehouses. The HTF funds highway construction and maintenance and *does not* fund the connectors that bridge highways, ports, warehouse centers and rail that are so critical to an efficient goods movement system. Frankly, we do not currently have a dedicated federal program that does fund multimodal freight projects. Funding goods movement will require a dedicated revenue stream that equitably taps multimodal users.

According to a report by the U.S. Chamber of Commerce, freight bottlenecks on U.S. highways cause more than 243 million hours of delay in moving merchandise annually. Those delays cost truckers about $6.5 billion annually and untold costs to businesses awaiting the delayed goods. Nike alone spends an additional $4 million per week to carry an extra 7-14 days of inventory to compensate for shipping delays.

The shippers who utilize our nation's freight infrastructure, including the US Chamber of Commerce and the National Association of Manufacturers are calling for an efficient, cost-effective multimodal goods movement system.

We do not need to wait for a long-term sustainable fix to HTF solvency to fix freight. We can fix freight right now with a freight specific revenue stream – a 1% user fee on freight ground transportation costs, generating an estimated $8 billion annually. We can create a freight trust fund solely dedicated to freight projects.

I ask that the committee review and consider the contents of HR 1308 *Economy in Motion: The National Multimodal and Sustainable Freight Infrastructure Act.* This bi-partisan bill could hold the key to begin a significant investment in our nation's commerce and business. We can demonstrate to our nation right now that Congress can indeed agree on solutions that move our country forward.

Sincerely,

Alan Lowenthal

Alan Lowenthal
Member of Congress

HR 1308

Economy in Motion:

The National Multimodal and Sustainable Freight Infrastructure Act

CONGRESSMAN ALAN LOWENTHAL

Original Cosponsors*: Dana Rohrabacher (R-CA), Brenda Lawrence (D-MI), Ann Kirkpatrick (D-AZ)*
Cosponsors*: Mark Takano (D-CA), Bobby Rush (D-IL), Grace Napolitano (D-CA), Mark Pocan (D-WI), Judy Chu (D-CA), Mark Meadows (R-NC), Gwen Moore (D-WI), Robin Kelly (D-IL), Matt Cartwright (D-PA), Earl Blumenauer (D-OR), Susan DelBene (D-WA)*

The movement of goods in our country is the engine that runs our economy, yet we do not currently have a freight-specific, national infrastructure program. Without a plan of strategic investment to expand the capacity, reliability and efficiency of our nation's goods movement, we stand to lose our place as a global economic leader.

Economy in Motion: The National Multimodal Freight Infrastructure Act will provide a dedicated and sustainable revenue source to fund multi-modal, freight-specific formula grants to states and a multi-modal, freight-specific competitive grant program to local, regional and state governments.

Freight Act Goals:

- Strengthen the contribution of the national freight network to the economic competitiveness of the United States;
- Improve the efficiency, reliability, cost and safety of freight transportation;
- Support the connectedness of all freight modalities and relieve the bottlenecks in the freight transportation system;
- Achieve and maintain the freight transportation system in a state of good repair; and
- Reduce the adverse community and environmental impacts of freight transportation, including greenhouse gas emissions, air and water pollution.

Freight Act Provisions:

- **Establish**:
  - Freight Transportation Infrastructure Trust Fund
  - National Multimodal Freight Funding Formula Program for States
    - Tier I Projects – single state formula
    - Tier II Projects – multi-state collaborative analysis
  - National Freight Infrastructure Multimodal Competitive Grant Program for Local, Regional and State Governments
    - 5% set aside for technology neutral clean energy demonstration projects
  - National Multimodal Freight Network and Strategic Plan

- **Qualifying Project Examples**:
  - Capital freight projects on roads, rail, intermodal connectors, including first and last mile connectors, rail grade separations, on dock rail and landside infrastructure on

ports and airports included in a State Freight Plan.

- **Grant Participation Requirements:**
    - State Freight Advisory Committees
    - State Freight Plans which include goals and strategies for reducing adverse environmental impacts.

- **Funding**:
    - Approximately $8 billion annually provided through a 1 percent waybill fee on goods movement, requiring the entity paying for the cargo to be shipped via ground transportation within the U.S. to pay a fee of 1 percent of total cost of that transportation.

Staff Contact: Mavonne Garrity Mavonne.garrity@mail.house.gov (202) 225-7924

Hon. Rick Nolan

Testimony – House Ways & Means Committee re Highway Trust Fund

June 16, 2015

Mr. Chairman and Members of the Committee:

Our infrastructure is facing a crisis of epic proportion. It is imperative for the security of our nation, the safety of our people and the health of our job-creating economy that Congress move ahead with a long term bipartisan funding plan for the Highway Trust Fund without further delay.

The facts could not be more clear. Delay after delay in establishing a clear, long-term path to finance the Highway Trust Fund have moved beyond national embarrassment to a point just short of national emergency.

Our highways are falling apart – 65 percent of them are in poor condition – and the Highway Trust Fund is facing a 40 percent shortfall. Without action from Congress, six weeks from now, the Highway Trust Fund will be broke. If that were allowed to happen, 6000 of the largest and most necessary national highway projects would be stopped in their tracks – and 600,000 construction jobs would be in jeopardy.

Our bridges are collapsing. We know all about that in Minnesota, where the I-35 Bridge in Minneapolis fell into the Mississippi River in 2007, killing 13 and injuring many more. Today, one in four bridges across America are in need of significant repair.

Just a few weeks ago in my District, an old wooden railroad trestle bridge collapsed and caught fire as a train loaded with fertilizer was crossing the Rat Root River near the Canadian border. If that train had been loaded with a portion of the 21 million barrels of oil that come across that route every year, we would have experienced an environmental catastrophe.

Moreover, it is imperative for the Speaker of the House to stop impeding the Committee process, and allow the Transportation Committee to work in parallel to write a long-term surface transportation bill. As we all know, it is through the Committee process that we find common ground and achieve the bipartisanship necessary to solve the problems we face and get things done.

In doing so, we must reject the arguments of those who would abdicate our federal responsibilities. The federal government has a critical role to play in highway and transportation funding in partnership with local and state governments. Just as we all benefit from national defense, education, environmental protections and a host of other things that require close cooperation, we all travel the highways, enjoying that freedom to safely travel, and to live and work where we choose.

The good news is that is clearly strong bipartisan support for highway and transportation funding here in Congress and throughout our nation. Now we need to get moving.

We need creative new solutions and good ideas that come through the committee process – where we discuss and debate and bring in the best experts for advice and counsel – and then reach some common ground.

We can talk about raising the gas tax – but that's not going to be enough.

The President has proposed a six-year transportation bill calling for about $470 billion in new investments – and many of us on the Transportation Committee have signed on.

About $260 billion of that funding would come from a one-time, 13 percent tax on $2 trillion dollars multi-national corporations are keeping overseas – coupling that measure with tax reform to lower the corporate tax rate and encourage those companies to repatriate their funds back here to promote more investment and create more jobs.

The Highway Trust Fund will take in enough to supply the rest of the money in the President's proposal with a little left over.

Remember, this is not a tax increase – just money those multi-nationals rightfully owe the United States.

However, $470 billion is still not enough to do what needs to be done for transportation in this country.

The experts tell us we should be investing at least ONE TRILLION dollars to rebuild our highways – roads – bridges – ports – pipelines – airports – railroads and mass transit systems.

An investment like that would create about 13 million new jobs – for about one third of the $3 trillion dollars we've spent over the past 13 years on the war in Iraq.

We have the money and the resources.

The question is – do we have the political will to reorder our priorities to put a stop to nation building abroad and wars of choice – and use those resources to begin to rebuild America, beginning with our highways and our infrastructure.

The answer is – we have no choice but to muster that will – and do what needs to be done.

Our safety depends on it.

Our jobs depend on it.

Our ability to compete in the world depends on it.

And our future depends on it.

I thank the Committee for holding this hearing, and I look forward to working with my colleagues to find bipartisan solutions to our highway and transportation crisis and get our great nation moving again.

Statement for the Record

Hearing on Long-Term Financing of the Highway Trust Fund

Committee on Ways and Means
U.S. House of Representatives

June 17, 2015

As the House Committee on Ways and Means meets to consider the feasibility of various ideas to provide a sustainable, long-term solution to the shortfall in the Highway Trust Fund, the undersigned organizations urge the Committee to consider a simple, cost-effective proposal that would galvanize billions in new private capital for investment in U.S. transportation and infrastructure. Specifically, any long-term highway bill should include reforms to the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA), such as those proposed in H.R. 2128, legislation introduced by Ways and Means Members Kevin Brady (R-TX) and Joseph Crowley (D-NY).

FIRPTA is a major obstacle to mobilizing private sector capital for infrastructure projects. The punitive FIRPTA law subjects foreign investment in U.S. real estate or infrastructure to a much higher tax burden than applies to a foreign investor purchasing a U.S. stock or bond, or an investment in any other asset class. FIRPTA imposes U.S. tax on gain realized by a foreign investor on the disposition of an "interest" in U.S. real property, which includes infrastructure assets. In some cases, FIRPTA can generate a tax burden as high as 54.5 percent. The FIRPTA regime is an anti-competitive outlier that deters and deflects capital to other markets. FIRPTA reform would serve as a strong, market-driven catalyst for the financing of much-needed infrastructure improvements, including upgrades to our transportation system.

Meeting our infrastructure needs will require a combination of public and private investment, and passive foreign investors could play a significant role in financing public-private partnerships involving: ports, bridges, airports, tunnels, toll roads, light rail, freight rail, and other income-producing infrastructure assets. Pooled and syndicated capital is already being deployed in infrastructure projects through infrastructure funds organized as partnerships. REITs are another model that has been used with some success for infrastructure investment.[1] Nonetheless, the United States is far behind other regions of the world in harnessing private investment for infrastructure development.[2]

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[1] Deloitte, *REITs and Infrastructure Projects* (2010), *available at*: http://www2.deloitte.com/content/dam/Deloitte/mx/Documents/bienes-raices/REITs_infrastructure_proyects.pdf

[2] OECD, *Pension Funds Investment in Infrastructure: A Survey* (2011), *available at*: http://www.oecd.org/sti/futures/infrastructureto2030/48634596.pdf.

Foreign institutional investors—pension funds, life insurance companies, etc.—are ideal partners for U.S. infrastructure projects because they have the capital needed for large-scale projects and the time horizon necessary for the long-term returns associated with the upfront investment. Infrastructure investments are attractive to foreign institutional investors because they offer: stable and predictable income streams that exceed fixed income markets, diversification benefits, and a hedge against inflation. Because the public-private infrastructure model is more developed in other countries, foreign institutional investors are often more comfortable and experienced investing in infrastructure assets than are their U.S. counterparts.

FIRPTA is a major hurdle for the foreign investor seeking to invest in US infrastructure projects. Under current law, FIRPTA applies when at least 50 percent of a company's balance sheet is attributable to the value of real property. In 2008, the IRS issued an announcement in which it indicated that many of the governmental licenses and permits being issued in connection with the leasing of transportation assets, such as toll bridges, should be treated as inseparable from the underlying real property, and thus as US real property interests subject to FIRPTA.[3] In 2014, the IRS issued proposed regulations in the REIT area confirming that, among other things, certain inherently permanent structures such as microwave transmission, cell, broadcast, and electrical transmission towers; bridges; tunnels; roadbeds; and railroad tracks are real property for REIT purposes.[4]

The fear of triggering FIRPTA liability is blocking inbound infrastructure investment. In a 2013 report, one of the big four accounting firms noted how FIRPTA obstructs infrastructure investment in the United States:

> The FIRPTA rules may be of significant relevance to non-US persons investing in infrastructure projects because such investments often provide investors various rights in the underlying infrastructure asset. As a result of these interests or rights in the asset, a further issue is raised as to whether the investor has obtained beneficial ownership of real property rights to which the FIRPTA rules could apply.[5]

The Joint Committee on Taxation has also acknowledged the effect of FIRPTA on foreign investors in U.S. infrastructure, "the special U.S. tax rules applicable to foreign investment in U.S. real estate . . . may affect the U.S. tax treatment of foreign [infrastructure] investors. Some advisors have taken the position that the intangible franchise right is an interest in real property for purposes of section 897."[6]

Large private investors in transportation infrastructure cite FIRPTA as a principal obstacle to attracting greater foreign capital for infrastructure projects. According to Christopher Lee, founder and managing partner of Highstar Capital, an infrastructure investment firm ,"[t]here are many billions of dollars in overseas capital sitting on the sidelines because those investors are wary of the burden

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[3] Internal Revenue Service, Announcement 2008-115 (Dec. 1, 2008), *available at:* http://www.irs.gov/irb/2008-48_IRB/ar18.html.

[4] Treas. Prop. Reg. §§ 1.856-3; 1.856-10. The proposed rules were published in the Federal Register on May 14, 2014 and are available at: http://www.gpo.gov/fdsys/pkg/FR-2014-05-14/pdf/2014-11115.pdf.

[5] PWC, *Infrastructure Investing: Global Trends and Tax Considerations, Part 2* (2013), *available at:* http://www.pwc.com/us/en/capital-projects-infrastructure/publications/assets/infrastructure-investing-part2.pdf.

[6] Joint Committee on Taxation, *Overview of Selected Tax Provisions Relating to the Financing of Surface Transportation Infrastructure*, JCX-49-14 (May 5, 2014).

FIRPTA will have on their investments.[7] Highstar Capital has invested more than $7.8 billion in infrastructure since its inception.

Because of the close connection between FIRPTA and infrastructure investment, the Administration has included a FIRPTA reform proposal in its *Rebuild America* infrastructure initiative and its last three budget submissions.

Moreover, transportation improvements, infrastructure build-outs, and thousands of new jobs would flow from the commercial real estate investment generated by FIRPTA reform. Real estate development and infrastructure upgrades are inextricably linked. For example, in just the last month, a prominent property owner in the Northeast agreed to invest $220 million in improvements to Grand Central Station, one of the country's most important transit hubs, as part of a larger commercial real estate project in New York.[8] Similar examples, on a smaller scale, can be found throughout the country.

Last year, the Urban Land Institute (ULI) released its annual report on infrastructure trends and issues.[9] According to ULI's survey of 250 public sector leaders in local/regional government and over 200 senior-level private developers, the most promising source of infrastructure funding over the next decade will be joint development or cooperation between local governments and developers. Also high on the list was "negotiated exactions," which refers to tying development rights to infrastructure improvements. The report concluded that "contributions from real estate are often essential components of the funding package for infrastructure projects."[10]

The infrastructure build-outs that accompany new development are a major component of real estate investment. Real estate projects finance transportation and other improvements through mandatory state and local impact fees. A 2012 study found that nationally, for a typical multi-family development, impact fees in excess of 6.7 percent of the project's value will be paid to the local government to finance the community's surrounding infrastructure.[11] The same study found that the average developer of a 100,000 square foot retail shopping center in the United States will pay a local government $568,500 to improve nearby roads, $244,000 to improve the water and sewer system, and $83,700 to build up surrounding parks.

The Real Estate Investment and Jobs Act of 2015 (H.R. 2128), introduced by Representatives Brady and Crowley, includes two critical provisions to mobilize foreign capital for real estate and infrastructure investment in the United States. First, it would increase the ownership stake that a foreign investor can take in a publicly traded U.S. real estate investment trust without triggering FIRPTA liability and extend the provision to certain collective investment vehicles. Second, it would remove the

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[7] *See* Christopher Lee, *Let's* at Least Have a Sensible Tax Structure When It Comes to Infrastructure, The Huffington Post, *available at*: http://www.huffingtonpost.com/christopher-h-lee/lets-at-least-have-a-sens_b_3112325.html.

[8] Associated Press, NYC approves skyscraper in exchange for transit hub work (May 27, 2015), *available at*: http://finance.yahoo.com/news/nyc-approves-skyscraper-exchange-transit-201204047.html.

[9] Urban Land Institute, *Infrastructure 2014: Shaping the Competitive City* (2014), *available at*: http://uli.org/wp-content/uploads/ULI-Documents/Infrastructure-2014.pdf.

[10] *Id.* at 4.

[11] Duncan Associates, *2012 National Impact Fee Survey* (2012), *available at:* http://www.impactfees.com/publications%20pdf/2012_survey.pdf.

tax penalty that FIRPTA imposes on foreign pension funds that invest in U.S. real estate and infrastructure. Together, these two bipartisan and noncontroversial changes would unlock billions of foreign capital for job-creating investment here at home.

In less than two months, H.R. 2128 has already attracted the co-sponsorship of 31 of the 39 members of the Ways and Means Committee. In February, the Senate Finance Committee unanimously passed a version of the Real Estate Investment and Jobs Act (S. 915). The full House passed a similar bill in 2010 by a vote of 402-11.

Over the long run, by mobilizing capital and increasing investment, FIRPTA reform will have a positive impact on the economy, job growth, and tax revenue. However, any short-term effect on the federal budget, as estimated by the Joint Committee on Taxation, can be fully offset with noncontroversial, related revenue provisions. At the time of mark-up, S. 915 was financed with provisions aimed at improving tax compliance.

Congress should reform outdated tax regimes such as FIRPTA and pave the way for market-based, privately financed infrastructure investment. Thank you for the Committee's consideration of our submission. If Ways and Means Committee staff would like to discuss this issue in greater detail, please contact Ryan McCormick, Vice President and Counsel of The Real Estate Roundtable, at (202) 639-8400 or rmccormick@rer.org.

We look forward to working with the Committee to advance meaningful FIRPTA reform.

Alternative & Direct Investment Securities Association
American Hotel & Lodging Association
American Resort Development Association
American Society of Interior Designers
Building Owners and Managers Association International
CCIM Institute
Institute of Real Estate Management
International Council of Shopping Centers
International Union of Painters and Allied Trades
Investment Program Association
NAIOP, Commercial Real Estate Development Association
National Apartment Association
National Association of REALTORS®
National Association of Real Estate Investment Trusts
National Multifamily Housing Council
The Real Estate Roundtable

South West Transit Association
South West Transit Association ● PO Box 153157 ● Austin, TX 78715

June 18, 2015

The Honorable Paul Ryan
Chairman
House Committee on Ways and Means
1102 Longworth House Office Building
Washington D.C. 20515

The Honorable Sander Levin
Ranking Member
House Committee on Ways and Means
1236 Longworth House Office Building
Washington, DC 20515

Dear Chairman Ryan and Ranking Member Levin:

This letter is being sent on behalf of the 182 public transportation providers, businesses and members of the South West Transit Association, from the states of Arizona, Arkansas, Colorado, Kansas, Louisiana, New Mexico, Oklahoma and Texas.

I am writing to encourage the passage of a long-term transportation bill that will sustain growth and opportunity for people in communities across our eight state region and the Nation.

The basic facts are:

- Americans took 10.8 billion trips on public transportation in 2014, which is the highest annual public transit ridership number in 58 years. This growth occurred in rural, small and large urban communities and across all modes. (source: American Public Transportation Association)
- The Highway Trust Fund cannot keep pace with growing demand from both the highway and transit programs. The current federal fuel tax level (18.4 cents per gallon), which has not been raised since 1993, is not enough. This is the key impediment to reauthorizing federal transportation legislation.
- Since 2009, Congress has funded transportation through a dozen short-term measures, ranging from one week to two years. This method of crisis management cripples our transit Agencies' ability to provide adequate community services, disrupts plans for long term growth projects and halts economic progress due to poorly maintained equipment, roads and bridges.

Often the facts alone don't allow you to see the full picture. To put a face with the data, local transit agencies have provided basic facts about how public transportation impacts the communities they serve.

Public transportation supports communities on a personal level by providing the way to jobs, healthcare and life events. Transit options increase economic health and save tax payers money.

Kibois Area Transit (KATS) in Stigler, Oklahoma serves an eleven county area that includes partnerships with tribal groups. From January 1, 2014 to December 31, 2014, KATS drove a total of 5,598,226.7 miles, completing 738,101 passenger trips. 65,725 of those trips took people to work. That means **292 people are able to go to work each day** because of the consistent job KATS is doing. That's 292 people are off welfare rolls in rural, eastern Oklahoma, living productive, tax paying lives because of their ride to work.

Colorado transit agencies are connecting people to what is important in life.

80% of **ECO, the Eagle County, Colorado** transit system trips get people to work.

59% of the **Mountain Metro** transit riders in Colorado Springs are going to work or school.

60% of workers in downtown **Denver ride the RTD** bus, train, carpool, walk, or ride a bike; they do not drive.

Public transportation supports communities by creating economic activity through public-private transit oriented development and by providing jobs to build and maintain services.

Investment in the **Dallas Area Rapid Transit (DART)** rail capital projects between 2003 and 2013 has generated a return of $7.4 billion in regional economic activity, creating more than 54,000 jobs that paid more than $3.3 billion in wages, salaries and benefits. In addition, more than $5.3 billion in private-capital transit-oriented development projects have been built, are under construction, or are currently planned near light rail stations since the debut of DART Rail in 1996.

Public transportation provides a way for America to be energy responsible, strong and independent.

Ozark Regional Transit Authority in Springdale, Arkansas just received four compressed natural gas vehicles into its' fleet. The authority's new vehicles cost $101,968 each for a total of $407,872. Roughly $345,000 came from the Surface Transportation Program under the Federal Highway Administration, while $60,000 was funded by a matching grant from the Northwest Arkansas Economic Development District and approximately $19,000 of the Authority's own money. The four new buses will be used for routes in Springdale and for paratransit, which is door-to-door transportation for people with disabilities.

In addition to reduced emissions, CNG provides significant savings compared to gasoline. Fuel costs average between $0.75 to $0.80 less per gallon resulting in a savings of at least $6,900 per year, per bus.

Public transportation reduces congestion dramatically in and around metro areas, produces few carbon emissions and makes a safer community for all, providing additional benefits even to people not using transit. It makes the entire transportation system work more efficiently. For every ten people on a bus or train during rush hour equals nine fewer cars on the roads.

Out of 250,000 daily trips taken on **Valley Metro, Phoenix, Arizona** bus and light rail, one-third are work trips saving 3,300 pounds of pollution and reducing approximately 7,750 vehicles from the freeways and streets. Four hundred Valley Metro vanpools also help save five million drive -alone miles and 182,000 gallons of fuel each month.

The bottom line regarding congestion is economics: Time spent stuck in traffic can be converted to non-productivity. Increased productivity improves economic vitality and ultimately generates more money for individuals and the community.

A strong investment in capital projects for small and rural fleets allows public transportation providers to give safe and reliable service on a consistent basis. Currently, the following small systems are living with the choice-making reality of the cost of keeping older vehicles on the road versus cutting service.

Citibus, Lubbock, Texas Sixty-one percent (61%) of this system's fleet is past its useful life. They currently operate fixed route, university service with 70 buses and paratransit service with 32 vans. The majority of both the university buses and the paratransit vans are beyond their useful life. In order to keep up with the demand for service, Citibus is forced to procure buses beyond useful life from neighboring DART. Parts are scavenged from the older DART vehicles and placed on the current Citibus fleet because some parts are on longer produced.

Fort Smith Transit, Fort Smith Arkansas Sixty-five percent (65%) of the vehicles in this system have met their useful life. They maintain 17 revenue vehicles in the fleet and operate 12 vehicles daily. Twenty-five percent (25%) of trips served are to or from medical appointments. Thirty-five percent (35%) are to or from employment destinations. The elderly and disabled residents comprise more than twenty-five percent (25%) of all passenger trips combined. Their average annual bus replacement needs equal three buses per year.

Santa Fe Trails, Santa Fe, New Mexico, currently has 36 full-size buses in the fleet, and 18 of those vehicles are past their useful life (by some three years <u>and</u> 150,000 miles). The latter bus model is no longer manufactured, and parts are all but impossible to find. They are only able to replace twelve of these buses at this time, which will reduce the fleet to 30 buses, thus reducing service. This causes Santa Fe Trails to maintain a perilously low spare ratio. Furthermore, since Federal funding has all but disappeared, seven of these twelve replacement buses are being purchased entirely with local funds, through a public project revolving fund loan from the New Mexico Finance Authority.

Sportran, Shreveport, Louisiana, reports 58% of their fleet is beyond its useful life. With 55 Fixed Route Buses, 20 - Paratransit Cutaways and 10 - Service Vehicles in their fleet, they find it difficult to keep up the demand for vehicle replacement. In addition to fleet replacement needs, Sportran has major capital investment needs for their CNG station maintenance.

The clock is ticking. By July 31, the Highway Trust Fund and Mass Transit Account will hit dangerously low levels which will require the Department of Transportation (DOT) to slow down reimbursements. We need a comprehensive, long-term solution for infrastructure that includes roads, bridges, and public transportation.

There are many difficult choices you must make in order to sufficiently invest in the nation's surface transportation infrastructure, which includes public transportation, but these are choices that must be made. The current stopgap approach of generating revenue to support surface transportation programs only succeeds in costing more money to continue the same limited outcomes. These resources could be better spent in addressing our nation's unmet transportation and infrastructure needs if long-term plans and solutions were developed and implemented.

We respectfully request that you keep all options for funding on the table and find solutions that will move our Nation forward.

Congress must act this year to restore, maintain and increase the purchasing power of the federal motor fuels user fee to support increased federal investment for the public transportation program. While the federal motor fuel user fee remains a viable funding source, Congress should adopt a bipartisan mechanism that provides predictable funding for investment in public transportation.

Funding for aging buses and vans in smaller communities is not on the radar of TIFIA, which is too complex for rural and small-urban communities with smaller projects. To remedy this, SWTA supports CTAA's proposal to establish a qualified intermediary lending program for rural and small-urban infrastructure projects eligible under TIFIA.

We ask that Congress continue to reward excellence and commitment to small urban transit efficiency and effectiveness by growing STIC's Section 5307 set-aside to three percent.

In closing, SWTA can deliver further vivid examples from our region and nation, of those providing vital life-enhancing transportation services to the people you represent. Thank you for working to find the best solutions for all.

Sincerely,

Kristen Joyner

Kristen Joyner
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Transportation Transformation Group
Statement for the Record
U.S. House Committee on Ways and Means
Long-Term Financing of the Highway Trust Fund
Wednesday, June 17, 2015

The Transportation Transformation Group is an unprecedented alliance of state government, finance, academic and private industry leaders who aspire to transform American transportation policy into a goal-based arrangement that maximizes flexibility to enhance the roles of the state and local public sectors and their private partners to solve the growing problems of congestion and mobility. This statement is submitted by William Moore on behalf of the Transportation Transformation Group.

Private activity bonds (PABs) allow private parties to issue tax-exempt debt based on the investment purpose of the bond proceeds and subject to a series of limitations.

Federal law generally prohibits debt issuers from financing highway and transit programs by combining tax-exempt debt or its proceeds with long-term private management contracts or private equity investment. This prohibition, written into the 1986 Tax Reform Act, includes exceptions for airports, solid waste facilities, and high-speed rail because those infrastructure classes were expected to attract private-sector investment and management.

Given the potential application of PABs to surface transportation, Congress created a limited PABs demonstration program for highway/intermodal projects in SAFETEA-LU. The program permits USDOT to allocate up to $15 billion in PABs between qualified highway and surface freight transfer facilities. To be eligible, the project has to include a Federal aid highway project in its scope and the private entity must have a public conduit to issue the debt, such as a state or local government.

PAB designation allows the bonds to retain tax-exempt status despite a greater level of private involvement than is ordinarily allowed. This allows projects with private-sector financial participation to obtain lower financing rates, eliminating one barrier to private sector participation in transportation investment. PABs are intended to make private infrastructure investment eligible for the same federal tax exemption that state and local governments enjoy if they assume debt directly.

Like virtually all other private activity bonds, the interest on highway/intermodal PABs has been subject to the Alternative Minimum Tax (AMT), which increases borrowing costs and narrows the market of potential investors. Under the American Recovery and Reinvestment

Act, PABs that were issued in 2009 and 2010 are exempt from the AMT, encouraging greater investment in user backed infrastructure projects that benefit the public.

Only 25 percent of PAB proceeds can be used to acquire land. Qualified highway or surface transportation facilities may require significant right-of-way (ROW) acquisition for project construction. ROW acquisition typically accounts for about 10–25 percent of total project costs and can be necessary far in advance of construction.

Many start-up facilities do not generate sufficient revenue during the ramp-up period to fully cover the interest expense on borrowed funds. Tax regulation prohibits the accretion of interest on PABs, which limits the usefulness of PABs in project financings that require back-loaded repayments, where interest is deferred to accommodate the revenue profile and increase the amount of proceeds available for construction.

To enhance the ability of PABs to solve the current financing shortfall confronted by our national highway program. T2 recommends:

- Double the $15 billion ceiling on surface transportation PABs.
- Relax restrictions on purchases of land and other infrastructure and expand the types of projects that qualify for PAB financing.
- AIlow deferred interest on Highway PABs.

T2 believes that an enhanced and expanded Private Activity Bond program is an essential element in meeting the nation's transportation needs within a severely restrictive budgetary environment.

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Testimony

Dr. Roy Littlefield

Executive Vice President

Tire Industry Association

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Ways and Means Committee

U.S. House of Representatives

June 17, 2015

Mr. Chairman and members of the Ways and Means Committee, I appreciate this opportunity to submit comments on funding options for long term infrastructure funding. My name is Roy Littlefield, and I serve as the Executive Vice President of the Tire Industry Association (TIA), TIA is a national trade association representing close to 8,000 small business members (who operate over 20,000 small business retail outlets), engaged in the retail, retreading, importing, and distributing of all varieties of tires. TIA members have been involved in the collection of Federal tire excise taxes since 1918. Our industry is dependent on a sound highway system.

TIA supports a long-term Federal Aid Highway bill. It is time for Congress to look beyond short-term patchwork funding proposals. If Congress tries to continue funding at current levels, it will have to choose among several unsavory options. While we support a long-term bill, we are opposed to many proposals being circulated.

The Federal Excise Tax on tires was first levied in 1918 mainly because of revenue needs brought about by World War I. The Revenue Act of 1918 imposed a tax on both tires and tubes at the rate of 5% of the retail price.

The tax was reduced after the war, and then later repealed in 1926.

The levy was reintroduced during the Great Depression, and was increased in 1941 to help finance World War II.

In 1956, the rate of the tax was raised in response to legislation enacted to build the interstate highway system and to create the Highway Trust Fund.

The Federal-Aid Highway Act of 1956 provided for a significant expansion of the federal-aid highway program and authorized federal funding over a longer period of time so as to permit long-range planning. It was considered necessary to authorize the entire Interstate Highway program to assure orderly planning and completion of this network of highways throughout the United States as efficiently and as economically as possible. In the case of tire taxes, the act raised certain rates and expanded the rate structure by prescribing different rates for different tire types. Tires for highway vehicles were taxed at 8 cents per pound, other tires at 5 cents per pound, inner tubes at 9 cents per pound, and tread rubber at 3 cents per pound. Later, of course, that was raised to 5 cents per pound.

In an effort to stimulate job creation, the Congress passed the Surface Transportation Assistance Act of 1982. The tire tax was actually hammered out late on a Friday night during a conference committee session.

One of its goals (besides) increased revenues for construction and maintenance of the Nation's highways) was a redistribution of highway costs between car and truck users. Accordingly, the act changed several of the excise taxes that fund the Highway Trust Fund. For example, the excise taxes on tread rubber and inner tubes were repealed as were the taxes on non-highway and laminated tires. A new tax structure for heavy tires with graduated excise tax rates dependent on tire weight was established. Tires which weigh less than 40 pounds were exempted from the excise tax so that tires for most passenger cars are no longer taxable. The excise tax rates on heavy tires ranged from 15 to 90 cents a pound according to the weight of the tire. These rates are shown in the following table.

Excise Tax Rates on Tires Under the Surface Transportation Assistance Act of 1982

Weight of Tire	Tax
0-40 lbs.	No tax
40-70 lbs.	15 cents per lb. over 40 lbs.
70-90 lbs.	$4.50 plus 30 cents per lb. over 70 lbs.
90 lbs. – up	$10.50 plus 50 cents per lb. over 90 lbs.

Following the merger, we quickly met with RMA and worked out language to end the dispute.

The American Jobs Creation Act of 2004 changed the method of taxing tires from the graduated weight structure of prior law to a tax based on the load capacity of the tire. The tax is set at the rate of 9.45 cents for each 10 pounds of tire load capacity in excess of 3,500 pounds. In the case of super single or bias ply tires the tax rate is set at 4.725 cents for each 10 pounds tire load capacity in excess of 3,500 pounds.

A provision included in the Energy Tax Incentives Act of 2005 clarifies the definition of super single.

The following chart shows the current tax rate which funds the Highway Trust Fund.

Federal Highway-User Tax Rates-Current in Cents		Distribution of Taxes to the HTF		Non-HTF
Fuel	Tax Rate (per gallon)	Highway Account	Mass Transit Account	Leaking Underground Storage Tank Trust Fund

Gasoline	18.4	15.44	2.86	0.1
Gasohol	18.4	45.44	2.86	0.1
Diesel Fuel	24.4	21.44	2.86	0.1
Liquefied Petroleum Gas	18.3	16.17	2.13	0
Liquefied Natural Gas	24.3	22.44	1.86	0
M85 (85 percent methanol)	9.25	7.72	1.43	0.1
Compressed Natural Gas (cents per thousand cubic feet)	48.54	38.83	9.71	0

Nonfuel Taxes (All proceeds to Highway Account)	
Tires	Maximum rated load capacity over 3,500 pounds – 9.45 cents per each 10 pounds in excess of 3,500.
Truck and Trailer Sales	12 percent of retailer's sales price for tractors and trucks over 33,000 pounds gross vehicle weight (GVW) and trailers over 26,000 GVW.
Heavy Vehicle Use	Annual tax: Trucks 55,000-75,000 pounds GVW, \$100 plus \$22 for each 1,000 pounds (or fraction thereof) in excess of 55,000 pounds. Trucks over 75,000 pounds GVW, \$550

Without Congressional action, the Highway Trust Fund will soon run out of money. Will Congress pass another short-term bill, or will they fund the infrastructure at a level deemed necessary to sustain the system for the foreseeable future? Let's look at the range of some of the options being considered.

Option #1

Significantly raise the fuel tax. This would be the easiest option to administer, and would be supported by environmentalists. It would be opposed by most in the auto and truck industries.

This option would not require any changes to nonfuel taxes.

Option #2

Moderately raise the fuel tax, reinstate the FET on passenger tires and retread rubber (5 cents a pound).

Option #3

Raise the fuel tax by a lesser amount, reinstate FET on passenger tires and retread rubber (5-15 cents a pound), and increase existing nonfuel taxes by 10% (including heavy tires).

Option #4

Consider:

1) Increased tolling
2) Congestion fees
3) Vehicle Miles Traveled (VMT) charges
4) National Weight-Distance Tax on Truckers
5) Increase private sector investment (i.e. privatization of highways)
6) National Infrastructure Bank
7) Sales tax on oil producers at the wholesale level

Today, revenues from the excise tax on tires provide less than 2% of the Highway Trust Fund receipts.

We are taking 2 strong positions:

1. Eliminate diversion. We are approaching 30% of the funds collected for the Highway Trust Fund diverted for non-highway purposes.
2. Engage creatively in future highway funding. We were an early supporter of legislation introduced by Congressman John Delany (D-MD) "The Partnership to Build America Act" (H.R. 2084).

The Partnership to Build America Act is a bipartisan effort to find new funding for roads, bridges, and transit. The Act finances $750 billion in infrastructure investment using no appropriated funds and has 50 co-sponsors (25 Republicans and 25 Democrats). On January 17, 2014, two Senators—a Republican and a Democrat, introduced a companion bill. Within a week, 5 Republican Senators and 3 Democratic Senators came out in support of the bill.

The bill is an attempt to address two problems: how to fund transportation and how to entice U.S. corporations, which have stashed an estimated $1.45 trillion abroad, to bring that money home. Delaney's plan would create a $50 billion federal fund to bankroll loans and leverage private investment for transportation and other infrastructure. The money would come from bonds bought by companies who want a tax break if they bring cash earned abroad back to the U.S.

TIA's position is very clear: eliminate diversion, oppose tax increases, engage in creative funding and tax reform, address our infrastructure crisis and pass a long-term infrastructure finding bill. TIA, along with the highway, transit, trucking, and motorist communities, is committed to supporting your efforts.

WageWorks Statement to the House Ways & Means Committee Hearing on The Long-Term Financing of the Highway Trust Fund June 18, 2015

The following statement is being submitted by WageWorks, a leading national third party provider of commuter benefits. WageWorks applauds the House Ways and Means Committee for holding a hearing on the long-term financing of the Highway Trust Fund. As the Committee considers ideas to improve the economics of the Highway Trust Fund, we urge inclusion in the Highway Bill of the employer provided mass transit benefit and, in particular, consideration of The Commuter Parity Act of 2015 (H.R. 990) introduced by Rep. Peter King (R-NY) and co-sponsored by 30 other Members of the House. The Bill would achieve permanent parity between the tax treatment provided for parking and commuter benefits by setting both parking and transit benefits at $235. Restoration of the commuter benefit parity will immediately help millions of working Americans and their employers. It is also important to note that parity can be attained without increasing the deficit and can potentially help finance the Highway Trust Fund. The Joint Committee on Taxation (JCT) has noted that a permanent provision setting both parking and transit benefits at $235 and indexing them for inflation would raise net revenues of $130 million over ten years.

Federal tax and transportation policy has long recognized the unique role of the federal government in encouraging commerce and the transport of Americans by car or mass transit to their place of employment. Parity between the tax treatment provided for parking and mass transit has accompanied prior Highway Trust Fund legislation.

Many employers turn to firms such as WageWorks to administer commuter benefit programs at low cost to the company. Employers have a vested interest in helping their employees get to work in a timely and efficient manner, which the transit benefit facilitates. These programs are broad based, middle class benefits that are designed to enhance work force productivity. They pose no substantial drain on the Treasury and the mass transit benefit is likely a net saver to the government as it reduces congestion, pollution, and the need for costly expansion of roads. Commuter benefits also prevent dips in mass transit ridership that can further strain municipal, state and federal coffers. By encouraging use of mass transit, commuter benefits reduce the need for government to provide direct financial support to public transit operators.

Due to inclusion of commuter benefit parity in tax extender legislation, until the end of December 2013, the maximum allowable pre-tax deduction for transit and parking was equal at $245 per month. Because Congress did not act to extend parity, commuters who travel to work using mass transit are now limited to a monthly pre-tax deduction of $130 per month while the maximum allowable parking benefit has risen to $250 per month. Congress retroactively extended benefit parity at the end of 2014, but as a result of the month-to-month nature of the benefit, it is difficult to reinstate this benefit retroactively.

This inequitable tax code anomaly encourages commuters to drive to work rather than use public transportation or van pools. While a debate can be had over the preferred form of transportation, it is evident that, at a minimum, mass transit provides a clear benefit to employers and to the community as a whole especially in congested urban areas. Both public policy and the tax code should not penalize commuters for use of public transit versus driving to commute to work.

Further, in an era of continued wage stagnation and increased urbanization, both parity and inflation adjustments remain sound policy and should not just be extended annually, but made permanent. For the millions of working Americans who continue to rely on mass transit, Congress' failure to permanently extend these important tax policies constitutes an increase in taxes every time they expire. In addition, uncertainty in the monthly deduction level for the transit benefit from year-to-year creates administrative burdens for both employers and users of the benefit that makes the program difficult to manage. Lastly, instability in the benefit also hurts public transportation systems and municipalities directly with fluctuations in ridership and decreases in overall demand.

We urge the Committee to consider The Commuter Parity Act of 2015 (H.R. 990) and permanently set a monthly cap on the transit commuter benefit at a level on par with the parking commuter benefit as part of the Highway bill. Again, WageWorks commends the Committee's substantive engagement on the long-term future of the Highway Trust Fund and remains hopeful that this process will lead to meaningful policies. Please do not hesitate to contact us should you need any additional information or have questions.

Submitted by WageWorks