American Chemistry Council Statement for the Record

Repatriation of Foreign Earnings as a Source of Funding for the Highway Trust Fund
Submitted to the Subcommittee on Select Revenue Measures,
Committee on Ways and Means

June 24, 2015
(submitted July 8, 2015)

Thank you Chairman Reichert and Ranking Member Neal for holding this important hearing. The American Chemistry Council (ACC) represents the leading companies engaged in the business of chemistry. ACC member companies apply the science of chemistry to create innovative products and services that make people's lives better, healthier and safer. The business of chemistry is an $801 billion enterprise and a major contributor to the nation's economy, accounting for fourteen cents of every export dollar. Last year, the chemical industry spent $59 billion on research and development. For every job created by the business of chemistry, 6.3 jobs are generated elsewhere in the economy, totaling six million American jobs.

ACC appreciates the opportunity to file a statement for the record following the Select Revenue Measures Subcommittee hearing on June 24, 2015 entitled "Repatriation of Foreign Earnings as a Source of Funding for the Highway Trust Fund."

ACC would be interested in playing a constructive role in broader international tax reform discussions. However, there is much uncertainty and an apparent lack of understanding on Capitol Hill with respect to the complexity of issues surrounding repatriation of foreign earnings. ACC strongly opposes proposals to tax historical foreign earnings, particularly if attempted outside the context of broader international tax reform. For that reason, ACC offers the following observations and comments.

For most chemical manufacturers, such proposals would tax earnings from previous years that have been reinvested abroad in physical plant and equipment and in the working capital necessary to serve our customers and grow our businesses in very capital-intensive foreign operations. In the case of the chemical industry, the capital expenditure necessary for construction of a world-class plant can be in the billions of dollars. A common scenario for the U.S. chemical industry when making a significant overseas capital investment in a chemical facility is the need to be near competitively-priced and ample sources of feedstocks and to be close to the prime markets for the products, with earnings often then reinvested in facility infrastructure or new physical versus paper investments.

In most cases, earnings are not held offshore as cash or cash equivalents, except for that level of working capital necessary to support the local businesses. It is critical to understand this, in contrast to the business models of some industries that require little or no reinvestment of foreign earnings in high-cost plant and equipment.

Among proposals under consideration for raising tax revenue to pay for highway and infrastructure projects, and subject of the June 24 hearing, is the device sometimes referred to as "deemed repatriation" of dividends from foreign subsidiary companies (also described as "mandatory repatriation"). Under deemed repatriation, the accumulated earnings of foreign subsidiary companies would be considered actually to have been paid to U.S. parent corporations as dividends, even though there is no pool of cash from which the subsidiaries could remit actual dividends. This is in contrast to proposals also under discussion for "voluntary repatriation" of dividends from foreign subsidiaries, under which dividends of cash actually would occur.

In the case of the chemical industry, reinvestment of foreign earnings in plant, equipment, and operating assets means, as noted, little or no cash actually available from which to pay dividends to the U.S. parent companies. With the exception of relatively small amounts of working capital to pay local taxes and receivables and meet other current expenses, foreign subsidiaries typically retain only incidental amounts of cash. Accordingly, for the chemical industry, the distinction between actual and deemed dividends is very real and has very serious economic consequences. Reinvestment of foreign earnings means there is insufficient cash available for dividends to the U.S. parent corporation from which the parent could satisfy tax liability arising from the deemed repatriation. The term "repatriation" in this context is inaccurate and misleading because the proposals do not require nor anticipate any actual return of cash. The deemed repatriation proposals simply mandate U.S. tax on foreign earnings as though the earnings *were* distributed to U.S. parent corporations as dividends.

ACC member companies oppose proposals for deemed repatriation all the more when such proposals are taken without regard to efforts to enact international business tax reform. Reformers regard the U.S. worldwide system of taxation as obsolete, with the U.S. virtually alone among developed countries retaining the system. Practically and fundamentally, deemed repatriation would disregard global economic and business realities to which the key sector of chemical manufacturing is subject. The timing of these proposals is unfortunate, given the unprecedented growth in domestic manufacturing as a result of the chemical industry's continued and looming expansion.

The chemical industry has budgeted over $140 billion over the coming years for facilities to take advantage of shale gas resources beginning to come on line. Shale gas will restore a historical cost advantage enjoyed in past years by U.S. chemical manufacturers. The new cost advantage will result in lower supply costs for all manufacturing sectors, because virtually all rely upon chemical products. The effects of shale gas should create a "manufacturing renaissance" expanding jobs and the U.S. economy, as well as growth of U.S. export markets. However, deemed repatriation and its demands against capital otherwise available to the chemical industry would slow and perhaps undermine construction of chemical facilities to exploit shale gas development.

ACC provides this statement for the record with the hopes that it will inform the discussion on broader international tax reform, as well as clearly articulate the inappropriateness of utilizing such proposals as a temporary fix for the Highway Trust Fund. Deemed repatriation has very real consequences for the manufacturing sector, and in particular the chemical industry. International tax reform may well be a topic of serious consideration in coming months, and we are hopeful that the complexities of deemed repatriation will be fairly understood for an informed discussion.

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Testimony of the American Road & Transportation Builders Association

Repatriation of Foreign Earnings as a Source of Funding for the Highway Trust Fund

House Ways & Means Committee
June 24, 2015

Chairman Reichert and Representative Neal, we appreciate you scheduling today's hearing to discuss potential alternatives to stabilize the Highway Trust Fund. The American Road & Transportation Builders Association (ARTBA) is pleased to provide this statement for the subcommittee's deliberations on this important topic.

Highway Trust Fund Needs a Permanent Solution

The federal highway and public transportation programs are already on their second temporary extension since the 2012 surface transportation law, the "Moving Ahead for Progress in the 21st Century Act" (MAP-21), expired more than eight months ago. President Obama and leaders of both parties and both chambers have all routinely pointed to a long-term surface transportation reauthorization bill as an area of common ground where meaningful progress could be achieved in 2015. That will not happen unless and until the Highway Trust Fund's revenue stream is stabilized and increased.

While we understand the focus of today's hearing is the potent for repatriation of foreign earnings as source of revenue to temporarily stabilize the Highway Trust fund, it is important that all members appreciate why the fund continues to experience revenue shortfalls. The root of the trust fund's challenge is not an antiquated gas tax, alternative-fueled vehicles dominating the U.S. automobile fleet, or improved vehicle fuel economy, but a more direct and obvious flaw: the federal motor fuels tax rates and other highway user fee rates have not been adjusted for 20 years. As such, it should surprise no one that the Highway Trust Fund is on the verge of insolvency. The only surprising thing is that it did not happen sooner.

Allowing the Highway Trust Fund's structural revenue deficit to persist has forced five separate revenue shortfalls since 2008 and a sixth crisis is looming later this summer. Instead of generating sufficient resources to support needed federal investment in the nation's surface transportation network, Congress has chosen to infuse the trust fund with more than $60 billion from non-transportation portions of the budget—$50 billion of which added to the deficit. The U.S. Department of Transportation (DOT) will be forced to begin rationing reimbursements to state departments of transportation in August unless the trust fund is stabilized. Further, the Congressional Budget Office (CBO) projects that without new resources the trust fund will be unable to support any new spending when FY 2016 begins—requiring a one-time cut in surface transportation investment of nearly $49 billion. This uncertainty about future federal investment has caused seven states in 2015 to delay roughly $1.6 billion in planned highway improvements.

Mr. Chairman, the Highway Trust Fund's revenue shortfall is not going away. In fact, the CBO March baseline shows failing to permanently address this situation will allow the problem to get dramatically worse. The gap between incoming revenues and existing levels of highway and public transportation investment will be $11 billion in FY 2016. The shortfall would grow to $23 billion by FY 2025.

Getting Beyond Gridlock

Supplementing the Highway Trust Fund's existing revenue stream with the proceeds of a new repatriation tax on foreign earnings of U.S. based multi-national companies has been frequently discussed as a way to temporarily stabilize the trust fund. Repatriation—like the "pension smoothing" mechanism used in 2012 and 2014—is a temporary solution to a permanent problem.

If repatriation revenues were used to support a six-year surface transportation reauthorization bill, Congress would again be confronted with a Highway Trust Fund revenue shortfall. This time, however, the annual gap would be $19 billion instead of the $11 to $16 billion Congress is seeking over the next six years. By comparison, the trust fund shortfall at the end of six years under the Obama Administration repatriation plan would exceed $30 billion.

If repatriation is, indeed, politically viable, the anticipated revenue could be used in a creative way—to pay for a federal tax rebate—that would assure a sustainable, long-term revenue stream for federal highway and transit investments long beyond when the repatriation window closes.

ARTBA's "Getting Beyond Gridlock" (GBG) plan would marry a 15 cents-per-gallon increase in the federal gas and diesel motor fuels tax—if politically necessary—with a 100 percent offsetting federal tax rebate for middle and lower income Americans for six years. The plan would fund a $401 billion, six-year highway and mass transit capital investment program and provide sustainable, user-based funds to support it for at least the next 10 years.

Under the GBG plan, a single tax filer with an Adjusted Gross Income (AGI) of $100K or less would receive a $90 per year tax rebate—the average annual cost to them of a 15 cent gas tax increase. Joint filers with an AGI of $200K or less would receive a $180 rebate. Internal Revenue Service data show the rebate would completely offset the gas tax increase for 94 percent of American tax filers.

There is recent precedent for such federal tax rebates. During the Bush Administration, Congress provided tax rebate checks of up to $600 for individual filers and $1,200 for joint filers in 2008. A similar tax rebate plan was enacted in 2001.

The GBG tax rebate proposal would require $103.3 billion over six years. A one-time federal repatriation transition tax could pay for it.

The Obama Administration has proposed using a 14 percent transition tax to augment the existing HTF revenue stream and fund its $478 billion six-year transportation proposal.

Last year, former House Ways & Means Committee Chairman Dave Camp (R-Mich.) proposed raising $126.5 billion over 10 years through a repatriation transition tax for the HTF to fund an eight-year status quo surface transportation investment authorization as part of his comprehensive tax reform plan.

This year, Rep. John Delaney (D-Maryland) has introduced legislation to use deemed repatriation at an 8.75 percent tax rate to generate an additional $120 billon to the HTF for six years.

The GBG proposal provides an answer for those who believe Americans are not willing or able to invest another $90 a year to improve their mobility and help keep the cost of just about everything they buy down. The proposed additional gas tax cost over a year is less than we all pay each month for cell phone service.

A 15 cent motor fuels tax increase would generate an additional $27 billion per year for HTF investments. That would end the eight-year HTF revenue crises cycle. With the additional revenue, the existing core highway and transit programs could keep pace with forecasted inflation. Given that the FHWA forecasts truck traffic will increase 56 percent between now and 2040, we recommend using a significant portion of the remaining newly generated user revenue—about $12 billion per year—to fund federal investments in multi-modal capital projects that upgrade the U.S. freight network and help reduce traffic congestion bottlenecks on it.

The GBG proposal gives the Congress additional time to fully explore, and if deemed appropriate and workable, transition to other user-related mechanisms that have been discussed for funding future transportation infrastructure investments—like dedicated energy development fees, per barrel or refinery fees, VMT fees or Interstate tolling. In the meantime, state programs and the mobility of U.S. businesses and all Americans won't be held hostage to indecision in Washington.

Chairman Reichert, Representative Neal and all subcommittee members, thank you again for convening today's hearing. ARTBA and its members look forward to working with you to develop and enact a long-term Highway Trust Fund fix that will enable needed highway, bridge and public transportation improvements to move forward.

June 23, 2015

The Honorable Dave Reichert

Chairman Select Revenue Measures SC

House Ways and Means Committee

Washington, DC 20515

Dear Representative Reichert,

The American Sustainable Business Council (ASBC) opposes the use of repatriated foreign earnings to finance the Highway Trust Fund. A tax holiday is the most likely way for Congress to repatriate the offshore profits, but these one-off events do not work.

Senators Rand Paul (R-KY) and Barbara Boxer (D-CA) have introduced a tax holiday bill (S. 981) to let companies repatriate offshore profits at a 6.5 percent tax rate instead of the usual 35 percent. The tax revenue would go into the Highway Trust Fund and one-quarter of the rest of the money would have to go into new U.S. jobs and research among other things.

This has been done before, in 2004 under the American Jobs Creation Act, and it failed badly, according to a 2011 report by the majority staff of the Senate's Permanent Subcommittee on Investigations The AJCA taxed repatriated funds at a 5.25 percent rate and like the Paul-Boxer bill required the funds to go into U.S. job creation and research.

Despite that tax holiday's $3.3 billion cost in lost tax revenues, the number of U.S. jobs fell rather than grew. After repatriating $150 billion, the top 15 repatriating corporations cut their U.S. workforce by 21,000 jobs. They also reduced their U.S. research.

The AJCA said the funds couldn't go to stock buybacks, yet the top 15 corporations boosted their stock buybacks. It said the funds couldn't go to executive compensation, yet executive compensation grew at those same 15 corporations.

The 2004 tax holiday did nothing to slow the use of tax havens although most of the funds had been repatriated from tax havens. In fact, the firms that had repatriated the most money during the holiday, moved funds offshore at a faster rate after the holiday.

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The 2004 holiday did little for the larger U.S. economy. To be sure, U.S. multinationals in the pharmaceutical and technology industries got tax breaks on the $140 billion they brought home. But U.S. domestic companies – with no money offshore – got nothing. In effect, that tax holiday put them at a competitive disadvantage.

ASBC believes that all businesses must pay their fair share of taxes. Many businesses that had no profits offshore continue to pay their full share of the essential investments and services that no individual or business can make alone. Every business operating in the U.S. relies on these investments for their success. They should not have to carry this burden alone. U.S. multinationals must pay their fair share.

Another holiday would once again reward our multinationals for avoiding the taxes they owe on their offshore profits. It would once again encourage them to send even more money offshore. It will not fix the Highway Trust Fund's financing problem.

President Obama has a proposal that would repatriate offshore profits as a part of corporate tax reform. Under this, U.S. multinationals would pay a one-time 14 percent tax on all of their current offshore profits and then a 19 percent minimum tax on all subsequent foreign earnings. Whatever the merits of this – and ASBC believes that the 14 percent repatriation rate is too low – there's no prospect that corporate tax reform will happen this year.

Congress needs to pass a long-term highway bill now and not at some indeterminate time down the road. The current funding patch is the 33rd such patch. That's irresponsible. Businesses know intimately how badly U.S. roads and bridges need to be upgraded. Congress must take responsibility now and not resort to another failed tax holiday.

ASBC is the leading business advocacy group working to implement public policies that build a sustainable economy. Through its national member network it represents more than 200,000 businesses and more than 325,000 entrepreneurs, executives, managers and investors.

Sincerely,

David Levine
CEO and co-founder

SAFER ROADS SAVE LIVES

United States House of Representatives

Committee on Ways and Means

Subcommittee on Select Revenue Measures

Hon. Dave Reichert, Chairman

Testimony of:
Mr. Scott Seeley, Chairman
American Traffic Safety Services Association (ATSSA)

July 24, 2015

Chairman Reichert, Ranking Member Neal and members of the Subcommittee – thank you for accepting my testimony on behalf of the American Traffic Safety Services Association (ATSSA). My name is Scott Seeley, and I serve as Chairman of the Board of ATSSA. In addition, I am Vice President of Ennis-Flint, the world's largest pavement marking manufacturer.

ATSSA's 1,600 members manufacture, distribute and install roadway safety infrastructure devices such as traffic signs, pavement markings, rumble strips, guardrail and cable barrier and work zone safety devices, among others. Our mission is "***To Advance Roadway Safety***" with the goal of reducing roadway fatalities toward zero.

A decade ago, more than 43,000 people were killed annually on U.S. roads. Today, that number has been reduced to less than 33,000. However, 33,000 fatalities are still unacceptable. We know that roadway safety advancements help save lives. In fact, nearly 61,000 men, women and children are alive today because of improvements. Investments in roadway safety are critical and must be continued in the reauthorization of the MAP-21 legislation.

In order for ATSSA members and roadway safety professionals across the nation to continue to move toward zero deaths on our roads, Congress *must* take action and pass a robustly-funded, long-term highway bill. However, in order for this to occur, the Highway Trust Fund (HTF) needs to be financially stable. At a time of growing transportation investment needs, we cannot allow the HTF to become insolvent.

ATSSA supports an increase in the federal gas and diesel excise taxes. While we understand the hesitancy of Congress to increase these user fees, these are an efficient, proven and easily administered method for raising the revenue needed for transportation projects across the country. The Federal gas tax is currently 18.4 cents and has stayed fixed since 1993. Adjusted for inflation over those 22 years those dollars would now be equivalent to 11.2 cents. This is not sustainable and we have already seen for several years now the effect of not properly funding our Nation's transportation needs. To get us to where we should be based on 18.4 cents back in 1993, adjusted for inflation, we are asking for the gas tax to be immediately increased to $30.2 cents

If Members of Congress remain unwilling to support an increase in these direct user fees, then another option to fund the federal transportation program is to use repatriated foreign earnings. ATSSA supports an initiative to use these dollars for transportation projects, especially if a percentage of that investment is dedicated to infrastructure safety which will reduce roadway fatalities.

In addition to finding a funding solution, ATSSA supports efforts to provide financing options as well. The ability to leverage private funds through public-private partnerships (PPP) - for a public good, such as transportation projects - can be an important tool for certain situations.

Are PPPs a panacea? We do not believe so; however, in this era of funding challenges across the board, it is an option that must be considered.

ATSSA supports your efforts to investigate, find solutions, and most importantly, find the revenue needed for Congress to pass a long-term, safety-focused transportation bill.

Chairman Reichert, Ranking Member Neal and members of the Subcommittee, thank you for the opportunity to submit testimony on behalf of the men and women who work daily to reduce roadway fatalities toward zero.

Submission for the Record

to the

Select Revenue Measures Subcommittee

of the

House Ways and Means Committee

on behalf of

The National Retail Federation

for the

Hearing on Repatriation of Foreign Earnings as a Source of Funding for the Highway Trust Fund

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The National Retail Federation (NRF) strongly supports proposals for comprehensive reform of the federal income tax by lowering tax rates and broadening the tax base. We believe this type of reform will greatly boost investment in the United States, economic growth, wages and consumer spending. We are concerned about Congress selecting individual income tax base broadeners and using them to finance spending programs. This would be the case if Congress enacted a mandatory tax on accumulated foreign earnings, so-called "repatriation," to pay for the highway trust fund. Not only would this result in a tax increase for our members with international operations, but also it would remove an important element of many tax reform proposals. The only way that the United States can reduce its corporate tax rate to a level that will bring investment back to this country is if base broadeners are used to reduce the tax rate, not pay for various spending programs.

By way of background, the NRF is the world's largest retail trade association, representing discount and department stores, home goods and specialty stores, Main Street merchants, grocers, wholesalers, chain restaurants and Internet retailers from the United States and more than 45 countries. Retail is the nation's largest private sector employer, supporting one in four U.S. jobs – 42 million working Americans. Contributing $2.6 trillion to annual GDP, retail is a daily barometer for the nation's economy.

Corporate Tax Rate Reduction Will Drive Economic Growth

Because the U.S. corporate tax rate is the highest in the industrialized world, U.S. companies are choosing to make more investments outside of the United States and foreign companies are choosing to make more investments in countries with lower corporate tax rates rather than the United States, where they can achieve a better return on their investment (ROI). Since 1988, the average statutory foreign corporate income tax rate (including both national and subnational corporate income tax rates) has fallen from 45.4% to 29.6%. This is more than 24% lower than the current 39% rate in the United States, which is the combined federal and average state statutory corporate tax rates.

According to a study performed by Ernst & Young and Tax Policy Advisors for the RATE Coalition, in the long-term U.S. GDP will be 1.5% - 2.6% lower than it otherwise would be because the high U.S. corporate income tax rate is driving investment out of the United States.1 This decline in GDP leads to a drop in real wages for U.S. workers and a decline in consumer spending. In the long term, wages are approximately 1% lower because of the higher U.S. corporate tax rates, and consumer spending is 2.1% - 3.1% lower. The study pointed out that even in 2013, consumer spending was 1.6% – 2.1%

1 Carroll, Robert, John Diamond, and George Zodrow, 2013. *Macroeconomic Effects of Lower Corporate Income Tax Rates Recently Enacted Abroad.* Ernst & Young LLP, Washington, DC.

lower because of the impact of the high corporate tax rates on investment in the United States.

Mandatory Repatriation Is a Tax Increase

There is a common misconception that foreign earnings of U.S. multinationals are "trapped" overseas and that these companies will gladly repatriate those earnings and invest them in the United States if the corporate tax rate is low enough. This is not the case for most retailers. Retailers, like most multinationals, have overseas operations in order to expand their markets. Our industry's foreign earnings are invested in stores, distribution centers, inventory, and the working capital needed to sustain and grow these operations. Many retailers do not have excess cash to repatriate, regardless of how low the tax rate is that is applied to these earnings. If an immediate tax is placed on these earnings, it will dampen the ability of these companies to grow in foreign markets and ultimately hurt U.S. headquartered companies.

Retail is the highest effective taxpaying industry in the United States. Retailers have been willing to give up their tax expenditures in exchange for a substantially lower tax rate. It would be blatantly unfair to raise the effective tax rate on retailers even more by placing a tax on their overseas investments, which cannot be repatriated to the United States because they are invested in hard assets overseas.

Conclusion

The National Retail Federation strongly supports tax reform that will substantially lower the U.S. corporate tax rate, driving investment in the United States, economic growth, wages and consumer spending. We urge Congress not to pick off the pieces of tax reform and, thereby, create a barrier to achieving that much needed lower tax rate.

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Statement for the Record By Jenn Dice, Vice President, Business Network, PeopleForBikes
Hearing on Long-Term Financing of the Highway Trust Fund
Before the House Committee on Ways and Means
June 17, 2015

Chairman Ryan, Ranking Member Levin, and Members of the Committee, thank you for the opportunity to provide input on the need to find a long-term solution to financing the Highway Trust Fund.

PeopleForBikes Business Network represents the bicycle industry ranging from retailers to suppliers to manufacturers in communities across the country. Bicycling contributes significantly to the national, state and local economics. PeopleForBikes Business Network has 1,825 business members who depend on very modest federal investments in bike infrastructure to grow their businesses.

Bicycling directly generates $81 billion annually for the United States economy – a figure that includes more than $10 billion in state and local tax revenues. More than 750,000 U.S. jobs are supported by the bicycling industry. Across Wisconsin, there are 367 bicycle retailers, employing 1,841 people, with $95 million in annual sales. In Michigan, there are 530 bicycle retailers, employing 2,602 people, generating $191 million in annual sales.

Bicycling means business – and this business depends on a transportation system that not only provides safe places to bike but also the efficient shipment of our product to market. For these reasons, the U.S. bicycle industry supports a well-funded federal transportation program not only because it improves bicycle infrastructure, but also because the shipping of our products from factory to warehouse to retail point of sale depends on a well-maintained and connected transportation system. Close to 18 million bikes are sold in the US every year.

Communities across the country are realizing the economic development potential that comes from an integrated transportation system, where bicycle infrastructure is just one part of their larger system to efficiently move goods to market and reduce congestion during the morning and evening commute. For example, Indianapolis cites the construction of the eight-mile Cultural Trail with attracting at least $100 million in new investment in the city. Continued federal investment in bicycle infrastructure is essential to helping more communities capitalize of bicycling to meet their transportation challenges.

peopleforbikes™

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Commuting by bicycle has doubled since 2000, and a new study shows that one in four Americans rode a bicycle last year or 103 million people. Also, half the trips Americans take are four miles or less. We are seeing a growth in Americans who look to the bicycle for these short trips. For example, a trip to the grocery store that is a few miles from their house to pick up a few items. As more of these trips are taken by bike, road congestion, air pollution and parking infrastructure needs are all reduced. This saves our nation money.

Finding a long-term funding solution to the Highway Trust Fund is critical to states and communities across the country to meet the needs of their transportation system, including the construction of good bicycle infrastructure. Without the certainty of a long-term funding solution many states and communities will hold back on investing in projects due to the lack of certainty that they will receive a reimbursement from the federal government for transportation projects that have a multiyear construction timeline.

We look forward to working with the Committee to find a long-term funding solution to the Highway Trust Fund that recognizes our integrated transportation system.

PUBLIC CITIZEN

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June 24, 2015

United States House of Representatives
Subcommittee on Select Revenue Measures
Committee on Ways & Means
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Via email to: waysandmeans.submissions@mail.house.gov

Re: funding for infrastructure investments

Dear Chairman Reichert and Honorable Subcommittee 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 CO_2 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
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FOR IMMEDIATE RELEASE:
JUNE 24, 2015

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RATE
Reforming America's Taxes Equitably

WASHINGTON, D.C. – RATE Coalition Co-Chairs Elaine Kamarck, former White House adviser to President Bill Clinton and Vice President Al Gore, and James P. Pinkerton, former White House domestic policy adviser to Presidents Ronald Reagan and George H.W. Bush, made the following statement in advance of today's Subcommittee on Select Revenue Measures hearing on the taxation of the repatriation of foreign earnings as a funding mechanism for a multi-year highway bill.:

> We represent the RATE Coalition and we have a simple message about any effort to pay for highway funding using repatriation, either deemed or voluntary, outside of fundamental corporate tax reform that permanently lowers rates: "Don't do it, because it won't work."
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> While it might seem like a silver bullet that solves two problems at once -- funding our highways, and allowing U.S.-based multinational companies a chance to bring home the money they've parked overseas -- the reality is that repatriation does not necessarily infuse the U.S. Treasury with more tax revenues.
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> Real, comprehensive corporate tax reform that lowers the corporate tax rate to a globally competitive 25% or less would boost U.S. GDP by hundreds of billions of dollars annually, and create a robust U.S. business environment conducive to investment and wage growth.
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> **Here are three sobering facts about repatriation:**
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> First, voluntary repatriation does not raise revenue. In fact, the opposite is true; voluntary repatriation outside of corporate reform is simply a tax holiday for certain American companies. It ends up costing the government tens of billions

of dollars, and does nothing to fix the systemic problems businesses face because of our broken tax code. For repatriation to actually raise revenue, it would have to be forced or "deemed," which would be a tax increase. In this case, all companies would face higher taxes even if they did not, *or could not*, repatriate those overseas earnings.

Second, without changes to the underlying tax code, a voluntary tax holiday is nothing more than a pointless vacation. Going forward, there would be no incentive for companies to bring overseas income back to the United States unless (and until) they have another tax holiday. It sets a terrible precedent, and would simply force companies to continue to keep monies overseas – and it's the opposite of what can be accomplished through tax reform.

Third, we have gone down this road before. And it didn't work. In 2004, the Congress passed, and the President signed, a repatriation holiday bill, which the Senate Permanent Subcommittee on Investigations ("PSI") ultimately found to be a "failed tax policy." It cost the Treasury $3.3 billion over ten years, and it created no new American jobs.

And as history is too often an indicator of the future, PSI found that repeating such a tax holiday now would cost the Treasury $95 billion over ten years this time around.

The answer to growing the U.S. economy and growing U.S. wages is not repatriation, either deemed or voluntary. **It is fundamental tax reform that lowers America's worldwide corporate rate**, and that's what Congress should be focused on right now.

RATE is a coalition of 34 companies and organizations advocating for sensible corporate tax reform. Making the tax code fairer and simpler will help spur job growth and stimulate the U.S. economy, and make us more competitive globally. RATE members currently include: AT&T, Altria Client Services Inc., Association of American Railroads, Babcock & Wilcox, Boeing, Brown Forman, Capital One, Cox Enterprises, CVS Caremark, Edison Electric Institute, FedEx, Ford, GAP Inc., General Dynamics, Home Depot, Intel, Kraft Foods, Kimberly-Clark, Liberty Media, Lockheed Martin, Macy's, National Retail Federation, Nike, Northrup Grumman, Raytheon, Reynolds American, Southern Company, Time Warner Cable, T-Mobile, UPS, Verizon, Viacom, Walt Disney and Walmart. RATE members and affiliated companies represent over 30 million employees in all 50 states and support innumerable numbers of suppliers and small businesses.

More information about the coalition is available at www.RATEcoalition.com.

Statement of the U.S. Chamber of Commerce

ON: Using Deemed Repatriation to Pay For Surface Transportation Programs, and Other Highway Trust Fund Revenue Options

TO: The U.S. House Ways and Means Subcommittee on Select Revenues

DATE: July 8, 2015

1615 H Street NW | Washington, DC | 20062

The U.S. Chamber of Commerce (Chamber) believes that transportation infrastructure is a core government responsibility and the backbone of America's economy. *Moving Ahead for Progress in the 21st Century* (MAP-21), the federal law that sets highway, public transportation, and highway safety policy, programs, and funding levels, was extended by Congress for two months, through July 31, 2015. At the end of that period, the revenues that are deposited into the federal Highway Trust Fund (HTF) will once again run short of maintaining current funding levels, meaning that substantial cuts in federal aid to state and local governments are in the offing unless Congress acts to reauthorize MAP-21 and provide additional revenues or offsets to liquidate outlays from the HTF.

The goal of the Chamber, and the Chamber-led Americans for Transportation Mobility (ATM) Coalition, is completion of a long-term, fully funded reauthorization before July 31. According to recent Congressional Budget Office (CBO) testimony to the House Ways and Means and Senate Finance Committees, an additional "$3 billion before the end of fiscal year 2015 and between $11 billion and $22 billion every year thereafter through 2025"[1] would be required to support the CBO baseline projections for highway and transit spending.

It is important to note that baseline investment levels are not sufficient to improve the conditions and performance of the nation's transportation system; ideally, investment levels would be higher.[2] According to the American Society of Civil Engineers study titled "Failure to Act," at current spending levels nationwide, American households will lose about $1060 per year and the economy as a whole will be suppressed by nearly $1 trillion by 2020.

As noted by the Pew Charitable Trusts, "[Federal, state and, local] funding streams are not only sizable; they are also deeply intertwined. In general, the federal government does not directly invest in transportation infrastructure, but sends almost all of its funding to states and localities in the form of grants. States use federal and state dollars to pay for surface transportation and to provide funding to localities—which invest directly, using federal, state, and local funds."[3]

The purpose of this statement is to articulate, in detail, the Chamber's position on deemed repatriation as a transportation pay for, and to outline out the Chamber's general position on revenues to support federal funding levels for roads, bridges, public transportation, and safety.

Deemed Repatriation, Voluntary Repatriation and Highway Funding

Background

As discussions on possible highway funding options continue, repatriation of U.S. companies' foreign earnings is frequently mentioned. The Chamber is skeptical of this approach.

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1 http://waysandmeans.house.gov/wp-content/uploads/2015/06/Shirley-Testimony.pdf
2 See (insert info on USDOT C&P report, AASHTO Bottom Line report)
3 Pew Charitable Trusts, "Intergovernmental Challenges in Surface Transportation Funding," (September 2014).

Repatriation occurs when a company's foreign profits, usually earned by a controlled foreign corporation (CFC), are returned to the United States usually through a dividend from the subsidiary to the U.S. parent company. U.S. tax is then levied on the proceeds net of any tax credits. When repatriation occurs at the option of the company, it is said to be "voluntary". That is, the company chooses to repatriate. Alternatively, if U.S. taxes are levied on foreign profits regardless of whether or not the funds are brought back to the U.S. parent company, then the company was deprived of its choice and the repatriation is said to be forced or "deemed".

The distinction between voluntary and deemed repatriation is important to both the companies and for how the Joint Committee on Taxation (JCT) scores such a policy for revenue and budget purposes. Voluntary repatriations are seen by JCT as a net tax cut over the budget window because profits that would have been repatriated at a later date are brought back immediately at a lower tax rate. JCT most recently scored a voluntary repatriation proposal as generating a 10-year revenue loss of $118 billion.[4]

Conversely, proposals involving forced or deemed repatriations, *i.e.*, where the United States would tax overseas earnings whether repatriated or not, generally have been scored as raising revenue. For example, in Chairman Camp's proposed tax reform bill deemed repatriation was estimated to raise $170 billion over the 10-year budget window.[5] Likewise, the President's FY2016 Budget included a forced repatriation proposal estimated to raise $217 billion over 10 years.[6] As indicated by the positive score, forced repatriation is a tax increase. Because the tax increase applies to previously earned profits, it is also effectively a retroactive tax hike.

In sum, as a matter of budget accounting one cannot use voluntary repatriation, a JCT-scored tax cut, to "pay-for" other spending programs or other tax cuts. According to the budget rules, only mandatory or deemed repatriation raises revenue and can be used to "pay-for" new spending or tax cuts.

Chamber Position

In the past, the U.S. Chamber generally has supported voluntary repatriation. The Chamber position is that whether the repatriated funds are used for increased investment, creating jobs, increasing dividends or even stock repurchases, these funds are more of a benefit

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[4] See Letter from Thomas Barthold, dated April 30, 2015, scoring Senators Paul and Boxer's "Invest In Transportation Act," which would allow companies to voluntarily bring home offshore profits at a 6.5 percent tax rate, as $117.9 billion revenue loss over the 10 year scoring window.

[5] See Joint Committee on Taxation, "Technical Explanation, Estimated Revenue Effects, Distributional Analysis, And Macroeconomic Analysis Of The Tax Reform Act Of 2014, A Discussion Draft Of The Chairman Of The House Committee On Ways And Means To Reform The Internal Revenue Code" (JCS-1-14), *available at* https://www.jct.gov/publications.html?func=startdown&id=4674. Former Chairman Camp's proposal levied a tax of 8.75% on cash overseas and 3.5% on non-cash foreign assets, payable over eight years.

[6] See Joint Committee on Taxation, "Estimated Budget Effects Of The Revenue Provisions Contained In The President's Fiscal Year 2016 Budget Proposal," (JCX-50-15), *available at* https://www.jct.gov/publications.html?func=startdown&id=4739. The President's proposal levied a tax of 14% on accumulated U.S. corporate profits earned abroad, regardless of whether in cash or non-cash holdings, payable ratably over five years.

to the companies involved if the companies can allocate their resources with less interference from the tax code and the funds are more of a benefit to the U.S. economy when they are home.[7]

However, deemed repatriations generally have raised concerns for the Chamber. While we understand that deemed repatriation may be part of comprehensive tax reform and are willing to evaluate deemed repatriation proposals within that context, we are more skeptical of deemed repatriation proposals to use these increased taxes to support new spending. Thus, the Chamber will on this basis evaluate variations on repatriation proposals as the variations and their details develop.

Specific Concerns with Deemed Repatriation and Highway Funding

Recent discussions suggesting forced or deemed repatriation as a highway funding mechanism have raised several areas of concern for the Chamber. For example, using the revenue from a deemed repatriation for any purpose other than tax reform, including transportation and infrastructure spending, would reduce the pool of funds available to pay for lower tax rates, accelerated cost recovery, or shifting to a more internationally competitive tax system as part of revenue-neutral comprehensive reform.

Further, a one-time forced repatriation does not provide an ongoing revenue stream to fund an ongoing expenditure such as the highways. Additionally, the Chamber believes that infrastructure is a public good which benefits a broad segment of the economy. As such, the Chamber finds it inappropriate to fund such a public good with a tax on a select group of companies and a select subset of their profits. The long-standing framework for the federal highway program is that this public good is broadly enjoyed and should be financed by its beneficiaries through a user fee. A proposal to fund the system with deemed repatriation further erodes this framework by using general tax revenues.

If Not Repatriation, then What?

There are three ways to address the problem of the revenue-expenditure differential, and this solution set for HTF revenues has not changed for several years. The Chamber has testified to these approaches numerous times, and CBO testimony is consistent with the Chamber's assessment that there are three general options in front of Congress:

1. *Cut outlays to the amount that current revenue sources can support.*

This approach would result in 20-25% cuts in highway programs and 43-49% cuts in transit programs between 2016 and 2020.[8] A similar approach would be to decrease federal investment levels even further and eliminate Internal Revenue Service collection

[7] In 2011, the Chamber commissioned Douglas Holtz-Eakin to undertake a study of the benefits of such repatriations. See Douglas Holtz-Eakin, "The Need for Pro-Growth Corporate Tax Reform: Repatriation and Other Steps to Enhance Short- and Long-Term Economic Growth" (Aug. 2011).
[8] Eno Center for Transportation Analysis of CBO Baseline. https://www.enotrans.org/wp-content/uploads/2015/06/How-Much-in-Bailouts-Would-Still-Be-Needed-If-New-HTF-Obs-Were-Capped-at-Tax-Receipt-Levels.pdf (June 15, 2015).

of excise taxes on fuels and other sources of HTF revenue.[9] The Chamber is strongly opposed to both of these approaches,[10] and is pleased that Congress has rejected, repeatedly, efforts to make drastic cuts in federal investment on public transportation, roads and bridges.

2. *Continue using general fund resources to supplement current user fees and support highway, transit, and safety investments*.

This option includes any solutions that do not involve increasing user fee revenues or dedicate new ongoing transportation-related revenue streams: tax compliance measures; spending cuts; use of one-time offsets such as pension smoothing; and, general tax increases—including proposals that tie tax repatriation to paying for transportation. The Chamber determines support for using general fund resources on a case-by-case basis; however, continuing general fund transfers and other temporary fixes that employ general funds are not permanent solutions for HTF solvency. This approach weakens the long-time framework of transportation programs: the user-pay approach at the federal level that enables contract authority and long-term authorization bills.

3. *Identify new or increase existing dedicated, transportation-related revenues*.

This is the Chamber's preferred option and has been for several years. The Chamber's criteria for these revenue sources are described in detail in the next section of this statement.

Five Criteria to Assess Revenue Sources

The Chamber evaluates revenue sources along five criteria. A "five-star revenue source" will have a yes answer to each of the following questions:

1. Is the revenue source transportation-related?

Multi-year transportation bills are important for certainty in long-term capital planning and project construction. The availability of contract authority, which historically was tied to user-fee (transportation-related) revenue[11] enabled passage of long-term highway and transit bills. As described by the Congressional Research Service, "The Federal-Aid

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[9] The Federal Highway Trust Fund receives revenues from excise taxes on major and special motor fuels, and non-fuels taxes on heavy highway vehicles. See Joint Committee on Taxation, "Present Law and Background Information on Federal Excise Taxes," (Jan. 2011).

[10] The Chamber's opposition to devolution of federal programs, either through cuts to current revenue sources or intentional devolution as is proposed in the Transportation Empowerment Act introduced by Representative DeSantis and Senator Lee has been explained in numerous statements, including recent testimony to the Senate Committee on Commerce, Science, and Transportation on May 5, 2015. See http://www.commerce.senate.gov/public/?a=Files.Serve&File_id=703fe16b-54d4-4ef4-bd0f-820d94d7d6c4.

[11] Section 401 of The Congressional Budget Act of 1974 prohibited Congress from bringing up legislation that created "new backdoor spending—including contract authority—unless grandfathered into the Social Security or Medicare Trust Funds or unless the money is drawn 'from any other trust fund, 90 percent or more of the receipts of which" are derived from "taxes related to the purposes for which outlays are made." See "Highway Trust Fund 101," page 12, by the Eno Center for Transportation, (June 2015).

Highway Program, unlike most other federal programs, does not rely on appropriated budget authority. Instead, the Federal Highway Administration exercises contract authority over monies in the HTF and may obligate (promise to pay) funds for projects funded with contract authority prior to an appropriation. This approach shelters highway construction projects from annual decisions about appropriations (emphasis added)."[12]

2. Are the revenues ongoing, rather than one-time?

One-time money is a Band-Aid, rather than a solution. This is the approach to short-term HTF solvency used by Congress since 2009 and does not address the HTF's structural problems in the long term.

3. Are the revenues sources structured to be sustainable and growing?

The United States needs to not only meet today's demands on the national transportation network, but also the increasing demands projected to strain the network in the coming years.[13]

4. Are the revenue sources—alone or in combination—adequate for full funding or, at a minimum, able to maintain funding levels?

Nearly $100 billion over the next six years is required just to maintain current services funding levels.[14] Current services will not reduce the backlog of maintenance and construction needed to improve the condition and performance of transportation systems, anticipate demographic changes, and accommodate and spur economic growth. In reauthorizing MAP-21 and paying for the programs, Congress should aim for "full funding," meaning what is required of the federal government to assist state and local entities in bringing a seriously outdated network of highways, bridges and transit systems up to par—and keep it that way—so future generations can rely upon the network.

5. Can the federal government collect the revenues?

There are some options, like sales taxes and value capture, which are viable at a state or local level but that the federal government cannot use. There are other revenue sources, such as tolls, that are collected by state or local entities, not by the federal government, and will not assist with Highway Trust Fund solvency.[15]

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12 Congressional Research Service, "Federal-aid Highway Program: In Brief," https://www.fas.org/sgp/crs/misc/R42793.pdf, (December 16, 2013).

13 Numerous sources provide both qualitative and quantitative evidence for this fact, including the American Society of Civil Engineers, "Authorization for the Nation's Surface Transportation Funding Program: A Blueprint for Success," the U.S. Department of Transportation, "Conditions and Performance Report," and the Pew Charitable Trusts, "Intergovernmental Challenges in Surface Transportation Funding."

14 See Congressional Budget Office March 2015 Baseline estimates, https://www.cbo.gov/sites/default/files/cbofiles/attachments/43884-2015-03-HighwayTrustFund.pdf.

15 The National Surface Transportation Infrastructure Financing Commission conducted a thorough review of transportation revenue options during its existence. Its final report issued in February 2009 detailed the differences among federal, state, and local revenue sources. See http://financecommission.dot.gov/.

The Chamber's Preferred Revenue Option

The Chamber is strongly supportive of modestly increasing gasoline and diesel taxes and indexing them to inflation, and finding new federally-collectable, stable, growing, ongoing, transportation-related, substantial revenue streams. Based on these criteria, the Chamber supports raising and indexing gasoline and diesel taxes knowing that eventually these sources need to be replaced. At present, the gas tax is a simple, elegant revenue source that is and cost-effective to administer and maintains the tie between transportation infrastructure investment and transportation system use. Its problems are years of neglect (last raised in 1993), its cents per gallon structure, and its political unpopularity.

Adding a penny a month for a year and indexing the total user fee to inflation could support current services funding levels for the foreseeable future. The collection system itself is highly efficient: the owner of the fuel at the time it breaks bulk from the terminal rack pays the excise tax to the Internal Revenue Service. According to the American Petroleum Institute, there are about 1300 terminals in the country, translating to a low number of payers and low cost of administration. The gas tax, if adjusted in amount and indexed, receives five stars as a revenue source.

In the long run, other revenue sources will be required. The vehicle fleet is becoming more fuel-efficient. Driving patterns are changing. Construction costs typically grow faster than the Consumer Price Index. And multi-modal transportation investment calls for more diversified sources of revenue.

Cutting Costs, Leverage the Private Sector: Necessary, but Not Solutions

In addition to addressing revenues, Congress must also look to issues of the appropriate federal role, cost reduction, and leveraging in order to ensure every federal dollar is used as effectively as possible.

In terms of policy and federal role, the current scope of eligible expenditures could be narrowed somewhat, but MAP-21 included substantial policy and program reforms comprised of program consolidation and elimination of most non-transportation expenditures. Some savings could be identified on the margin by shifting administrative expenses out of the HTF. The Chamber is strongly opposed to removing public transportation from the HTF.[16]

Moving Ahead for Progress in the 21st Century addressed many of the policy priorities that the Chamber identified for federal surface transportation program reform. The Chamber asked for transportation policies that cut through red tape at all levels of government so that projects move forward quickly. MAP-21 delivered with significant streamlining of environmental processes—much of which are still being implemented. Businesses wanted to see

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[16] A detailed case for federal investment in public transportation supported by the Highway Trust Fund can be found in the Chamber's testimony to the Senate Banking Committee. See http://www.banking.senate.gov/public/index.cfm?FuseAction=Hearings.Testimony&Hearing_ID=25741d0a-cc1f-4767-ac28-70a3b75340b6&Witness_ID=ff224966-a9ef-4a92-b70d-5148655796ee.

federal funds leveraged for locally selected projects that addressed the transportation needs of companies large and small. Performance measurement should allow us to determine how well state and local decisions are prioritizing and delivering on the national interest. There is still ample room for further development of freight policies to address multi-modal needs and bottlenecks, and promoting use of technology and other innovation policies to encourage cost-effective use of approaches to traffic management, infrastructure maintenance, and capacity creation.

The Chamber is also supports financing tools that that the federal government offers to encourage investment in transportation, including promoting public-private partnerships through use of low-cost loan and loan guarantee programs such as the *Transportation Infrastructure Financing and Innovation Act* and availability of private activity bonds. Public-private partnerships have many benefits. According to *Governing Magazine*, P3s can create significant public value through the "responsible fusion of public-private resources." Projects delivered using P3s have a record of coming in ahead of schedule and under budget. The private sector taking on risk shelters the public sector from losses. New technologies and other innovations are brought to bear.[17] However, P3s are not about creating money where there is none: P3s require revenue sources from user fees and taxes in order for the private sector to be willing to invest. Public-private partnerships are not for every project, but there is a growing track record of success in the United States and we should continue to encourage P3s.

Conclusion

After years of short-term solutions, it is time to solve finally the underlying problem of sustainable, predictable revenues for the HTF. Policy changes and P3s will not solve the HTF solvency problem. Devolution is not an acceptable solution: the federal government should remain a partner to states and local governments. Ideally, Congress would look to fill the growing hole between available resources and needs. At a minimum, the Chamber calls on Congress to identify transportation-related, sustainable, substantial, ongoing and federally collectible revenue sources to fill the gaping hole between revenues and current spending levels.

[17] See Governing Magazine, "The Growing Evidence that P3s Are Delivering Value," by Stephen Goldsmith and Andrew Dye, March 18, 2015. http://www.governing.com/blogs/bfc/gov-evidence-public-private-partnerships-delivering-public-value.html.