



Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington DC 20515

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March 2, 2018

SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Highways and Transit
FROM: Staff, Subcommittee on Highways and Transit
RE: Subcommittee Hearing on “Building a 21st Century Infrastructure for America: Long-Term Funding for Highways and Transit Programs”

PURPOSE

The Subcommittee on Highways and Transit will meet on Wednesday, March 7, 2018, at 10:00 a.m. in 2167 Rayburn House Office Building to receive testimony related to “Building a 21st Century Infrastructure for America: Long-Term Funding for Highways and Transit Programs”. The purpose of this hearing is to receive the views of highways and transit stakeholders regarding the benefits to the Nation of long-term funding for highways and transit programs, as well as the sustainability of current methods of providing funding. The Subcommittee will hear from representatives of the American Association of State Highway and Transportation Officials, the Western Road Usage Charge Consortium, the American Trucking Associations, the U.S. Chamber of Commerce, and the Economic Policy Institute.

BACKGROUND

The Importance of Transportation Infrastructure

Transportation infrastructure provides a strong physical platform that facilitates economic growth, ensures global competitiveness, creates American jobs, and supports national security. It affords Americans a good quality of life by enabling them travel to and from work, to conduct business, and to visit family and friends.

Our Nation’s transportation infrastructure is the backbone of the U.S. economy. In 2015, all modes of transportation moved an estimated 18.1 billion tons of goods worth about \$19.2 trillion (in 2012 dollars) on our Nation’s transportation network. On a daily basis, 49 million tons of goods valued at more than \$53 billion are shipped throughout the country on all

transportation modes.¹ In addition, nearly 13 million Americans, approximately nine percent of the U.S. workforce, are directly employed by transportation related industries.²

The surface transportation components of this broader system play an integral part in the movement of people and goods. Specifically, highways carried more than 3 trillion vehicle miles (including cars, trucks, motorcycles, and buses) and public transportation carried over 32.6 billion passenger miles in 2014.³ Of the total freight moved on our Nation's transportation network, trucks moved more than 11.5 billion tons, valued at over \$13.2 trillion.⁴

Congestion is a growing challenge across the United States, affecting both freight shippers and commuters. According to the Texas A&M Transportation Institute's 2015 Urban Mobility Report, the national cost of congestion was \$160 billion. This amounts to approximately \$438 million per day. Congestion also wasted 3.1 billion gallons of gasoline and resulted in an extra 6.9 billion hours of travel time. In 2014, the average commuter spent an extra 42 hours stuck in traffic.⁵

Future Needs for Transportation Infrastructure

Over the next 30 years, our Nation's transportation infrastructure will need to keep pace with anticipated increases in population and demand for freight transportation. Forecasts predict that America's population will grow from 319 million in 2014 to approximately 400 million in 2051.⁶ The movement of freight is expected to increase by 40 percent over the next 30 years.⁷ U.S. trade volume is expected to double by the year 2021, and double again by the year 2030.⁸ In terms of highway usage, vehicle miles traveled are projected to increase by nearly 20 percent by 2035.⁹

Highway Trust Fund

The Highway Trust Fund (HTF) was established by the *Federal Aid Highway Act of 1956* (P.L. 84-627). The HTF was created as a user-supported fund: highway users would pay a 3 cents per gallon excise tax on motor fuels, the tax receipts would be deposited in the HTF, and HTF balances would be dedicated to the construction of federal-aid highways. Subsequent acts of Congress increased the excise taxes on motor fuels, imposed taxes on other users, and expanded the number of activities eligible for funding under the HTF. The motor fuel excise

¹ U.S. Department of Transportation, Bureau of Transportation Statistics, DOT releases 30-Year Freight Projections, March 3, 2016.

² U.S. Department of Transportation, Bureau of Transportation Statistics, Transportation Statistics Annual Report 2016.

³ U.S. Department of Transportation, Bureau of Transportation Statistics, *2017 Pocket Guide to Transportation*; Bureau of Transportation Statistics, *Table 2-1*.

⁴ *Id.*

⁵ Texas A&M Transportation Institute, *2015 Urban Mobility Scorecard*, August 2015.

⁶ U.S. Census Bureau, *Projections of the Size and Composition of the U.S. Population: 2014 to 2060*, 2015.

⁷ U.S. Department of Transportation, Bureau of Transportation Statistics, *DOT Releases 30-Year Freight Projections*, 2016.

⁸ Federal Highway Administration, *FHWA Forecasts of Vehicle Miles Traveled (VMT): Spring 2016*, 2016.

⁹ *Id.*

taxes were last adjusted 25 years ago as part of the *Omnibus Budget Reconciliation Act of 1993* (OBRA 1993, P.L. 103-66).

Current Highway Trust Fund User Fees

| Tax Type | Tax Rate |
|---|--|
| Federal Motor Fuel Taxes | |
| Gasoline and gasohol | 18.4 cents per gallon* |
| Diesel | 24.4 cents per gallon* |
| Special Fuels: | |
| General rate | 18.4 cents per gallon |
| Liquefied petroleum gas | 18.3 cents per gasoline-equivalent gallon |
| Liquefied natural gas | 24.3 cents per gallon diesel-equivalent gallon |
| M85 from natural gas | 9.25 cents per gallon |
| Compressed natural gas | 18.3 cents per gasoline-equivalent gallon |
| Other Federal Taxes on Truck Users | |
| Tires: (maximum rated load capacity) | |
| 0-3,500 pounds | No Tax |
| 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 pounds GVW |
| Heavy Vehicle Use | Annual tax: Trucks 55,000 pounds and over GVW, \$100 plus \$22 for each 1,000 pounds (or fraction thereof) in excess of 55,000 pounds (maximum tax of \$550) |

* \$0.1 cent is deposited in the Leaking Underground Storage Tank Trust Fund

In general, motor fuel excise taxes and other truck taxes generate the majority of the revenue for the HTF. Proceeds from interest and penalties for violations of certain tax and vehicle safety laws are also deposited into the HTF. However, beginning in Fiscal Year (FY) 2008, and in each subsequent fiscal year to date, HTF outlays have exceeded revenues received from these sources. To ensure that the HTF could continue to pay its obligations, Congress has transferred amounts from the General Fund of the Treasury and other sources into the HTF. Since FY 2008, Congress has transferred approximately \$140 billion to the HTF.

On January 1, 2018, the HTF had a cash balance of \$51.6 billion. The Congressional Budget Office (CBO) uses current balances and estimates of future revenues and outlays to provide Congress with projections on HTF solvency. In June 2017, CBO projected that the HTF will not be able to meet its obligations beyond fiscal year 2020.¹⁰ CBO estimates that the current 10-year shortfall is \$138 billion more than expected HTF revenues.¹¹ An additional \$5 billion is necessary to ensure that there is a prudent balance in the HTF,¹² which brings the total shortfall to \$143 billion.

¹⁰ Congressional Budget Office, *Spending on Infrastructure and Investment*, 2017.

¹¹ Congressional Budget Office, *Projections of Highway Trust Fund Accounts – CBO's June 2017 Baseline*, 2017.

¹² A "prudent balance" refers to the amount of funding cushion needed in the HTF to ensure it does not go insolvent and assumes \$4 billion for the Highway Account and \$1 billion for the Mass Transit Account.

If the shortfall is not addressed, DOT may need to take steps, such as rationing reimbursements to states, to maintain a prudent balance in the HTF. If states are unable to rely on reimbursements, then critical surface transportation projects may be delayed.

Highways and Transit Programs Funded by the Highway Trust Fund

The HTF provides funding for a number of highway, transit, and highway safety programs (surface transportation programs) administered by the Federal Highway Administration, the Federal Transit Administration, the Federal Motor Carrier Safety Administration, and the National Highway Traffic Safety Administration. These agencies administer surface transportation programs in partnership with states, public transit agencies, and other local authorities. While the agencies provide financial and technical assistance, the state and local partners select projects and carry out the programs on a day-to-day basis.

Congress most recently reauthorized surface transportation programs with enactment of the *Fixing America's Surface Transportation Act* (FAST Act, P.L. 114-94). The FAST Act reauthorizes federal surface transportation programs through fiscal year 2020. It authorizes approximately \$300 billion in funding for surface transportation programs, improves our Nation's infrastructure, reforms programs, and encourages innovation to make the surface transportation system safer and more efficient. The FAST Act provides state and local partners with the needed certainty to make significant investments in the Nation's surface transportation system.

WITNESS LIST

Mr. John Schroer
Commissioner
Tennessee Department of Transportation
On behalf of the American Association of State Highway and Transportation Officials

Mr. Michael Lewis
Executive Director
Colorado Department of Transportation
On behalf of the Western Road Use Charge Consortium (RUC West)

Mr. Chris Spear
President and CEO
American Trucking Associations

Mr. Ed Mortimer
Executive Director, Transportation and Infrastructure
U.S. Chamber of Commerce

Ms. Thea Lee
President
Economic Policy Institute