

STATE OF THE HIGHWAY TRUST FUND: LONG-TERM SOLUTIONS FOR SOLVENCY

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, APRIL 24, 2013

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STATE OF THE HIGHWAY TRUST FUND: LONG-TERM SOLUTIONS FOR SOLVENCY

WEDNESDAY, APRIL 24, 2013

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, DC.

The Committee met, pursuant to call, at 10:00 a.m., in room 210, Cannon House Office Building, Hon. Paul Ryan, [chairman of the Committee] presiding.

Present: Representatives Garrett, Lankford, Ribble, Rokita, Woodall, Nunnelee, Rice, Williams, Van Hollen, Pascrell, Lee, Jeffries, Lujan Grisham, Huffman, Blumenauer.

Chairman RYAN. The hearing will come to order. The Committee will come to order. Welcome, everybody. I want to thank our witnesses for agreeing to testify and for traveling the distances they traveled to come here today. We appreciate your time, and we appreciate the fact that you are here to share your experience and your knowledge.

Infrastructure is very important and vital to our economy. And government plays a vital role in our public infrastructure: our highways, our roads, our bridges. But the federal government has been neglecting this responsibility. It is spending record levels of taxpayer dollars; in many cases it is not spending them wisely. In fact, it recently abandoned the key principle that we limit highway spending to what people pay to drive on them.

The Highway Trust Fund is yet again going broke. This problem has been building for years. In the 1990s, Congress set a floor on spending but it did not set a ceiling, and so the gap between spending and revenue continue to grow, on average by \$1 billion a year over the last decade, while gas-tax receipts stalled. In the next decade, the CBO anticipates the gap to widen. It expects the Highway Trust Fund to run annual cash deficits of \$13 billion to \$14 billion. And under current law, the trust fund cannot incur negative balance. So if funds get too low, spending will automatically decrease, and the Department of Transportation will ration spending to the States.

If we continue to do what we have done until last year, we will bail out the Highway trust fund with more borrowed money, and it would not be the first time. We bailed out the trust fund multiple times over the years to the tune of \$41 billion since 2008, in addition to the \$27.5 billion in the stimulus. Last year when we did MAP-21, it included some much-needed reforms and the most recent bill. MAP-21 included \$19 billion in General Fund transfers; that is not necessarily new, but what was new, and to its credit,

was for the first time, the cost of the General Fund transfers were offset in MAP-21. Despite these large infusions, however, CBO estimates that the trust fund will go bankrupt sometime in the fiscal year 2015 under current law.

I want to thank Mr. Blumenauer for requesting this hearing. On our side of the aisle, we have three members of the Transportation and Infrastructure Committee. I hope that we can learn more today about the financial problems that we are about to experience in the Highway Trust Fund and some of the solutions to ensure its solvency. Unfortunately, those of us on Ways and Means have a very pressing mark-up, so I am going to turn the gavel over to Congressman Garrett for the remainder of the hearing, but I also know that I speak for the entire committee when I say I look forward to your insights on how to fix this problem. I want to thank you very much for coming, and I ask unanimous consent that all members have seven days in which to submit in written statements for the record. And without objection, so ordered. And with that, I would like to yield to Ranking Member Mr. Van Hollen.

[The prepared statement of Chairman Paul Ryan follows:]

PREPARED STATEMENT OF HON. PAUL RYAN, CHAIRMAN, COMMITTEE ON THE BUDGET

Welcome, everybody. I want to thank our witnesses for agreeing to testify. We appreciate your taking the time to share your expertise.

Infrastructure is an important part of our economy. Government plays a role in our public infrastructure—our highways, our roads, our bridges. But the federal government is neglecting this responsibility. It's spending record levels of taxpayer dollars. And it's not spending them wisely. In fact, it recently abandoned a key principle: that we limit highway spending to what people pay to drive on them.

The Highway Trust Fund is broke. This problem has been building for years. In the 90s, Congress set a floor on spending. But it didn't set a ceiling. So the gap between spending and revenue continued to grow—on average, by \$1 billion a year over the last decade—while gas-tax receipts stalled. In the next decade, the CBO anticipates the gap to widen. It expects the Highway Trust Fund to run annual cash deficits of \$13 to \$14 billion.

Under current law, the trust fund can't incur a negative balance. So if funds get too low, spending will automatically decrease, and the Department of Transportation will ration money to states. If we continue what we've done until last year, we'll bail the highway fund out with borrowed money.

And it wouldn't be the first time. We've bailed out the trust fund multiple times over the years—to the tune of \$41 billion since 2008—in addition to \$27.5 billion in the stimulus. Though it included some needed reforms, the most recent surface-transportation reauthorization bill, MAP-21, included \$19 billion in general-fund transfers. Now, to its credit, for the first time, the cost of the general-fund transfers were offset in MAP-21. Despite these large infusions, however, CBO estimates the trust fund will go bankrupt sometime in fiscal year 2015 under current law.

I want to thank Mr. Blumenauer for requesting this hearing. On our side of the aisle, we have three members of the Transportation and Infrastructure Committee. I hope we can learn more today about the financial problems the highway trust fund faces and solutions to ensure this program's solvency.

Unfortunately, I have a mark-up at the Ways and Means Committee, so I'm going to turn the gavel over to Congressman Garrett for the remainder of the hearing. I know I speak for the entire Committee when I say we look forward to your insights on how to solve this problem. I ask unanimous consent that all members have seven days to submit statements for the record. Thank you very much for coming, and we look forward to your suggestions.

With that, I yield to the ranking member, Mr. Van Hollen.

Mr. VAN HOLLEN. Thank you, Mr. Chairman, and thank you for calling the hearing on this very important matter. I want to join the Chairman in welcoming our witnesses today, and in thanking Congressman Earl Blumenauer for his laser-like focus on this issue. This is an issue of concern to all members of the Committee,

but I appreciate his persistence in calling for the hearing, and at the end of my very brief remarks, I am going to yield him a minute just to make a brief opener. And I think if you look historically, from the beginning days of this Republic, the idea that the federal government should invest in our national infrastructure for the purpose of building our economy and maintaining our economic competitiveness has been a bipartisan idea; back from the building of the canals, to the inter-continental railroad, to the highway system, those are things that have brought people together. And I hope we can move forward in that same kind of spirit as we meet the challenges ahead.

Look, the American Society for Civil Engineers has looked at our national infrastructure and given it the abysmal grade of a D, D as in dog, plus. They looked at our highway and transit systems and gave them a grade of a D; bridges, C-plus; grades that none of us should be pleased with. At the same time we have 15 percent unemployment in the construction industry. So, it is a no-brainer that we would increase our investment here in our national infrastructure in order to meet these needs, as well as help put more people back to work. And that is exactly why the budget that House Democrats put forward, the budget the president put forward, the Senate Democrats put forward, did two things. Number one, it had a \$50 billion investment, immediate investment, in our national infrastructure. And it would have funded the transportation fund and the highway programs specifically, at the current baseline levels. As opposed, unfortunately, to the House Republican budget that would have cut that by 25 percent over 10 years; real, negative consequences to our national infrastructure. And I hope that we can go to conference on the budget so that we can begin to iron out some of those important differences.

But with that, Mr. Chairman, if I could just yield the last minute of my opening statement to Mr. Blumenauer. We will have opportunities for questions, but I did want to ask him to say a few words.

[The prepared statement of Chris Van Hollen follows:]

PREPARED STATEMENT OF HON. CHRIS VAN HOLLEN, RANKING MEMBER,
COMMITTEE ON THE BUDGET

Thank you, Mr. Chairman, and thank you for calling a hearing on this very important matter. I want to join the Chairman in welcoming our witnesses today and in thanking Congressman Earl Blumenauer for his laser-like focus on this issue. This is an issue of concern to all Members of the Committee, but I appreciate his persistence in calling for the hearing, and at the end of my very brief remarks I'm going to yield him a minute just to make a brief opener. And I think if you look historically from the beginning days of this republic, the idea that the federal government should invest in our national infrastructure for the purpose of building our economy and maintaining our economic competitiveness has been a bipartisan idea.

Back from the building of the canals to the [Transcontinental] Railroad to the highway system, those are things that have brought people together. And I hope we can move forward in that same kind of spirit as we meet the challenges ahead.

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But with that, Mr. Chairman, if I could just yield the last minute of my opening statement to Mr. Blumenauer, we'll also have opportunities for questions, but I did want to ask him to say a few words.

Mr. BLUMENAUER. The time that I am yielded is what? Okay. Thank you.

Well, I appreciate your courtesy, and I deeply appreciate having this hearing. I hope that it is the first of several hearings that we have on the Budget Committee dealing with infrastructure finance. We are all rightly concerned about the fiscal deficit, and I think it takes a lot of our time and attention. But I hope that we are able to spend some time on this Committee on the infrastructure deficit, which is large and growing larger.

It was not very long ago that the American transportation systems were the envy of the world. Interstate highway systems, aviation, railroads, even the electric grid, set us apart. But that has not been the case for years. Now, part of what is going to be discussed today will be a philosophical effort, is whether it is time that we scale down the federal role, that it is turned back to the states and local governments, and allow them to locally tax and plan. And I welcome that conversation. I think it is an important one. We have had experiments with that in the past, like the first 50 years of railroads in this country, which resulted in different gauges of rail, gaps in the system, and resulted in local governments and some businesses taking advantage of their neighbors because they could make more money. I think it is fair to listen to some of our friends here and think about that.

But at the same time, there are two issues that I hope that we put on the table. One is the simple fact that we have not been investing enough. The Highway Trust Fund is not going bankrupt, but it moves into a negative balance. And that is because we have not adjusted the funding mechanism for 20 years. We need more federal resources. I welcome the notion that maybe we look at a vehicle mile travel, because the gallons of fuel consumed no longer really represents the value of the transportation that is provided. And I think that there is a lot of common ground here, because in the next 10 years, we have got to go to a different system, because that is going to put us into a downward spiral, and there is a potential to modify our behaviors accordingly, and I look forward to that conversation.

But I think it is critical that we look at a national system, that there are many areas where we have bi-state or tri-state, where it is not in any one community's interest, it is in the national interest to make these pieces transparent and seamless, and work for us all. It is important that we have a system that provides credit for a trip not taken, which may be the cheapest way to expand our capacity.

I appreciate the hearing; I hope that this is the beginning of a longer conversation about what the federal role should be, what the funding levels should be, and to be able to hear not just from these three witnesses, but there are a wide range of people that want to be heard on this issue before this Committee. And Mr. Chairman, I would respectfully ask unanimous consent that we hold the record open for a week.

[The prepared statement of Mr. Blumenauer follows:]

PREPARED STATEMENT OF HON. EARL BLUMENAUER, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF OREGON

I hope today's Budget Committee hearing marks the beginning of a wider, more robust conversation on the budget, specifically transportation infrastructure.

The committee has been deeply concerned about the budget deficit and appropriately so, but not enough attention has been paid to our infrastructure deficit. The federal government has largely failed to maintain a system of aviation facilities, the electrical grid, sewer and water systems, and interstate highways that once was the envy of the world. That is a claim that is harder to make today, and its status and condition continues to deteriorate.

The majority witnesses focus time their time and energy arguing for devolution—the concept that we don't need a strong federal presence and support in infrastructure development. They argue that it will be taken care by the individual decisions of the 50 states, the District of Columbia, and local governments across America. The fact is that the networks (sewer, road, aviation, and rail) were all created by strong federal policy and investment.

America had a 50 year experiment with devolution, local control over infrastructure. We had different gage tracks, missing segments. We had local and commercial interests holding their neighbor hostage because they made more money not having a smooth, transparent, seamless transportation system. The country as a whole was poorer, but individual communities and private interest made lots of money based on that dysfunctionality.

I have no quarrel with the notion that we can and should do better. I think an independent review of state and local infrastructure decisions will suggest that where investment has been left exclusively to state and local governments, they were certainly no more visionary, they were no less corrupt and inept, and there was no rational reason for them to help their neighbors either near or far.

We are on a path for significant reduction in infrastructure investment. Over the next 20 years, greater fuel efficiency and alternative vehicle modes put on a path to collect even less money. We are breaking the linkage between payment for road use and gallons of fuel consumed. It sketches an alternative scenario where we can fairly and efficiently collect revenues based on use rather than gallons of fuel consumed. It is the wave of the future. My state of Oregon is experimenting with some pilot projects in that regard and I look forward to this Congress expanding on those pilot projects. The potential of unleashing a huge wave of revenue generation and an intelligently managed transportation system with closely aligned benefits and costs. Many people will adjust their travel behaviors accordingly and it is one of the most efficient ways to get more out of the existing infrastructure.

Many, important centers of commerce are bi-state, in some areas multi-state—New York, New Jersey, Connecticut, Kansas City, Missouri, Iowa, Illinois, in my own backyard Oregon and Washington—and this makes it difficult for state and local governments to identify and pay for system-wide benefits. There is an also a national advantage if areas of the country like Chicago or Los Angeles make massive investment in their ports that benefit other parts of the country, but that's a tough sell to local officials and their constituents when "they're already got theirs".

Indeed, improvements to freight movement that would benefit the entire nation, which we attempted in the recent highway extension, are in many cases aggressively opposed by local interests. Anybody who has ever been a city councilmember or a city commissioner knows that as vital as truck movements are (virtually every freight movement includes a truck), they are not popular. Because we are a vast nation, states have different needs at different times. States would be hard pressed to make investments at exactly the time they should because the local economy is bad. It beats trying to cut the gas tax when there was a spike in gasoline prices.

A quick look at the national situation right now reveals a lack of appreciation and leadership from Congress. We are ignoring the quickest, fastest, most efficient way to get America back to work through local construction to improve roads, bridges,

transit. Infrastructure investment would put millions of people to work while it strengthens local economy, the environment, and our national competitiveness.

When the United States is perceived by people who control hundreds of billions of dollars as the safest location for their money, people literally give us billions of dollars essentially for free given the low interest rates and modest inflationary pressures. A rational government would be borrowing and investing using other peoples' money for free to make our system stronger. But we're not.

We need a national system that speaks to the transportation challenges of today. The current system dramatically undervalues investments that result in somebody not being on the road, somebody not being in a car in front of you idling at a traffic bottleneck, or fighting you for a parking space at the end of the journey. In larger metropolitan areas where networks are stressed, where land is at a premium, taking more private property to put more cars in pinch points is extraordinarily controversial and has arguably not been effective in facilitating movement, or reducing congestion or pollution. Making it possible for someone to take mass transit, Amtrak, walk, or bike is the fastest, cheapest, most environmentally benign way to facilitate movement of goods that have no alternative and for people that cannot or choose not to move away from their car.

One of the most important trends in America is that people are driving less per capita. This is very much the case with younger drivers. Recent analysis shows a dramatic reduction in VMT, a 40% increase in young people's transit utilization, and a 25% increase in cycling. They are even getting fewer drivers licenses; a stark change from my generation when you camped out the night before you turned 16 at the local DMV so that you could be the first one through the door to take the test and get your license. I believe this is a lasting change.

I welcome this conversation. I look forward to this being the beginning of the budget committee doing its work with the critical arena of infrastructure finance, the opportunities, and the national priorities for us to do our job.

I hope that we will be able to expand our hearings and our analysis to hear from the amazing array of people who make their living building, managing, coping with infrastructure or trying to use what is not necessarily there.

Mr. GARRETT [presiding]. I will put that in my opening statement.

Mr. BLUMENAUER. Thank you, sir.

Mr. GARRETT. In my closing as well.

Mr. BLUMENAUER. I yield back.

Mr. GARRETT. The gentleman yields back. And at this time we welcome our witnesses to the panel, and we thank you. We are here, as Mr. Blumenauer says, to have a great debate on these issues from the various proposals that may be coming before us. And we will start with Mr. Poole, and as with all the witnesses, of course, you are recognized for five minutes, and your full statement will be entered, without objection, into the record and we will look to your statement now in five minutes. The gentleman is recognized.

**STATEMENTS OF ROBERT POOLE, SEARLE FREEDOM TRUST
TRANSPORTATION FELLOW AND DIRECTOR OF TRANSPORTATION
POLICY, REASON FOUNDATION; R. RICHARD GEDDES,
DIRECTOR OF THE CORNELL PROGRAM IN INFRASTRUCTURE
POLICY AND ASSOCIATE PROFESSOR, CORNELL UNIVERSITY;
JANET F. KAVINOKY, EXECUTIVE DIRECTOR,
TRANSPORTATION AND INFRASTRUCTURE, U.S. CHAMBER
OF COMMERCE, VICE PRESIDENT, AMERICANS FOR TRANSPORTATION
MOBILITY COALITION**

STATEMENT OF ROBERT POOLE

Mr. POOLE. Thank you, Mr. Garrett, Ranking Member Van Hollen. I appreciate the opportunity to talk with you this morning about this very, very important question. Let me start by noting that similar problems to the ones facing the Highway Trust Fund

also exist with the other three federal transportation trust funds: the Aviation Trust Fund, the Harbor Trust Fund, and the Waterways Trust Fund. And so I second Congressman Blumenauer's recommendation that this Committee look at all of those trust funds, not just the Highway Trust Fund, because this has huge consequences and major problems that need to be fixed.

The major problem facing the Highway Trust Fund today is how can America increase productive investment in transportation infrastructure while simultaneously reducing the scope of federal spending? The Trust Fund began with a single purpose, and that was to enable highway users to pay for constructing a national interstate highway network. Unfortunately, in my view, over time, that program evolved into what has become an all-purpose transportation public works program. And as it lost its focus, it also lost public support. It is almost impossible to get public support to increase federal fuel taxes today, and I think that ties directly to the fact that the program lost focus and does not really have an objective that Americans can get behind.

And I think that also is a clue as to why the trust fund is on the verge of insolvency. In the SAFETEA-LU reauthorization, Congress deliberately increased outlays beyond what the projections of the time showed would come in in fuel tax revenue. They did this by planning by, and doing, spending down the \$15 billion accumulated balance in the trust fund, which is basically gone now. So then what happened, when we got to the recession, that higher spending level had become what states expected to get, became the new norm, and that led to the political pressure to subsidize the trust fund with General Fund money, which, in my view, is not sustainable in the federal government's fiscal condition.

In my written testimony, I present two, what I consider, near-term alternatives for dealing with this. The first would be to return the Highway Trust Fund to highways only. That sounds like a radical idea, but hear me out. CBO projections show that there is enough highway user revenue projected to come in over the next decade to support the highway program. The numbers work, and they are in the written testimony. General Fund money is only needed if all the non-highway programs are to be continued as part of the trust fund's obligation. So I propose eliminating the middle man and, basically, giving the General Fund money directly to transit, to the FTA, and restoring the Highway Trust Fund to be a users pay, users benefit endeavor that it was originally started to be. And another idea to consider is if the FTA is shifted to General Fund support, it might make sense to relocate it to the Department of Housing and Urban Development, where it began as the Urban Mass Transportation Administration. And that would be consistent with the increasing emphasis of FTA on smart growth, community economic development, and so forth. So that is my first alternative.

The other alternative would restructure somewhat further than that, and that would be to refocus the Highway Trust Fund on interstate commerce transportation only. That would mean a lot more money could be spent on those critically important, the interstates and the National Highway System corridors that desperately need more investment. This function would be part of a general re-

ordering of what the federal government's responsibility is, redefining the federal role, not just in transportation, but in other areas as well; sorting out what is truly federal, what is properly state, and what is properly local. Interstate highways, National Highway System, for the most part, are truly federal. Most other highways are state, inherently. And streets and transit are inherently the province of local communities, local governments. Making that kind of shift would obviously be a big change for the states and metro areas, and it would be incumbent on Congress, if it does this, to give the states more tools to do a better job with funding productive transportation infrastructure.

One way to do that would be on the revenue side. The single biggest thing the next re-authorization could do would be to remove the remaining federal ban on tolling interstate highways for the purpose of reconstruction and modernization; not as a general funding source for all kinds of things, but for the specific purpose, which I think the American public would get behind, of giving us a 21st century interstate highway system. And that would make a huge difference. Also, because public-private partnerships could play an increasing role in helping states and localities do more with less, the next re-authorization should strengthen the TIFIA loan program, which has been very successful, and expand the tax-exempt private activity bond availability for these kinds of PPP transportation infrastructure projects. In addition, those highways that were removed from the federal aid system would be freed from the costly regulatory burdens that any dollar of federal aid brings with it, and so the states could do more with less in that sense, also.

Looking to the longer term, it is very clear to just about everyone in Transportation that we need to transition from per gallon taxes to per mile charges, as Congressman Blumenauer rightly said, because the fuel tax system is not sustainable on a long-term basis. The states are already taking the lead with research and pilot programs, and this federal support, and I think that is really the best way forward. I do not believe we should have a massive federal top-down program imposed on the states to do this. But the states are very actively pursuing this. All the State DOTs know that they cannot continue with fuel taxes for more than the next 10 or 15 years. Congress should encourage more of this; allowing the more advanced State DOTs and transportation institutes to figure out, by trial and error, which forms of implementing per-mile charges would be most politically feasible and most economically feasible. And it is not, in my view, going to be a mandated big brother box in every car, tracking every moment. That is not going to fly, will not happen, should not happen. But there are other ways out there, and I addressed some of them in my written testimony.

And finally, as the nation transitions to mileage-based user fees, we will have to confront the question of whether, at that point, we still need a Federal Highway Trust Fund. Once all states can charge all highway users for every mile driven, it is not clear that there will still be a need to collect the money, send it to Washington, and redistribute it among the states. And there is new research cited in my written testimony that finds that what we are doing now, we are actually shifting money from lower income

states to higher income states through the Federal Highway Program, and favoring rural states, which have lower transportation needs, over states with heavy urban needs. So this suggest it is really, really time to rethink the federal program, and we will need to do that as we move towards mileage-based user fees.

That concludes my prepared remarks, and I would be happy to entertain questions at whatever time is appropriate. Thank you very much.

[The prepared statement of Robert Poole follows:]

PREPARED STATEMENT OF ROBERT W. POOLE, JR., DIRECTOR OF
TRANSPORTATION POLICY, REASON FOUNDATION

I am Robert Poole, Director of Transportation Policy at the Reason Foundation. Since the mid-1980s I have been researching transportation policy, including problems of funding and finance. I was a member of the Transportation Research Board's special committee on the long-term viability of fuel taxes as the principal funding source for highways. And I am currently a member of two TRB standing committees, one on congestion pricing and the other on managed lanes. I am a member of the board of the American Road & Transportation Builders Association PPP Division, and I am an advisor to the International Bridge, Tunnel & Turnpike Association.

CONTEXT

Before addressing the future of the Highway Trust Fund, I would like to provide some context about the federal role in transportation infrastructure overall. The federal government has entered a new era of fiscal stress, with many experts viewing the federal budget as being out of control, as illustrated by the unprecedented growth of the national debt and large-scale budget deficits years after the recession officially ended. When it comes to transportation infrastructure, we are faced with the conflicting needs to reduce the scope of federal spending while at the same time increasing productive investment in transportation infrastructure.

At a time like this, it is appropriate to step back and take a fresh look at how the federal government invests in this infrastructure. We have four major transportation trust funds: the Aviation Trust Fund, the Highway Trust Fund, the Harbor Maintenance Trust Fund, and the Inland Waterways Trust Fund. Each is the recipient of mode-specific user taxes which are supposed to be used only for investment in that mode of infrastructure.

While all four trust funds do make investments in their respective forms of infrastructure, all share a set of fundamental problems, which lead to far less than optimal results in terms of maximizing productive investment—i.e., getting the most bang for the buck. In a recent Reason Foundation report,¹ I identified these problems as follows:

1. Because the user taxes are legally taxes, Congress is reluctant to increase their rates, even though in many cases more investment is needed.
2. Each of these trust funds involves significant redistribution—from one part of the country to another, or from one subset of users to another—creating winners and losers and often leading to investments whose benefits are less than their costs.
3. Federal involvement significantly increases the cost of projects that use federal dollars, due to numerous regulatory requirements, such as Davis-Bacon and Buy America.
4. The emphasis in these programs on new capacity tends to bias state and local decisions against maintenance and in favor of capital-intensive projects using what is perceived as “free federal money.”
5. Finally, these federal programs encourage large-scale capital projects to be paid for on a cash basis, rather than being financed and paid for over time, as users derive benefits from the improved infrastructure.

Consequently, as we look to solve both the budget problem and the infrastructure investment problem, it is appropriate to critically examine the user-tax/trust-fund/federal-grant model in each of these modes of transportation infrastructure. Is this model actually the best we can do to make cost-effective investments in vitally needed infrastructure? Let me suggest that the Budget Committee address this larger question, and the other transportation infrastructure trust funds, in addition to today's topic of the Highway Trust Fund.

EVOLUTION OF THE HIGHWAY TRUST FUND

The Highway Trust Fund (HTF) was created by legislation in 1956 for a single purpose: to have highway users pay for creating the new Interstate Highway System. It authorized a set of new federal highway user taxes, primarily on gasoline and diesel fuel, the proceeds of which would be accounted for in the HTF and used to build the Interstate system. Grants were made available to all states via a formula, with the states having to provide a 10% match, to build their portions of this national system. The states own the resulting highways, but were required to build them to federal standards and operate them as a system.

As the Interstates went into operation, a growing economy and periodic increases in the fuel tax rates produced steady growth in fuel tax revenues, so Congress began hearing pleas from states to permit HTF monies to be used for other highways in addition to the Interstates. Each time Congress reauthorized the program, additional uses were approved, with the program turning into a general highway-improvement program by the early 1970s. In 1973, Congress permitted HTF monies to be used for buses and for rail transit facilities, as well as allowing states to withdraw a planned urban Interstate and build a transit line instead. But the biggest turning point came in 1982, when DOT Secretary Drew Lewis, seeking urban votes to support a fuel tax increase, promised mayors that 20% of the revenue from the increase would be dedicated to a new transit account in the HTF. The changes from 1973 to 1982 represented a major shift away from the users-pay/users-benefit model, in which revenues from highway users benefitted only highway users. Especially after the 1991 ISTEA legislation, it became a system in which highway users are the source of federal funding for an ever-increasing array of purposes: transit, sidewalks, bikeways, recreational trails, etc.

By the late 2000s, about 23% of total HTF money was being spent on non-highway purposes, including urban transit, safety regulation (FMSCA, NHTSA), “enhancements,” and miscellaneous spending (including the Congestion Mitigation and Air Quality program and monies states were allowed to shift from highways to transit under the Surface Transportation program).²

When the credit crunch of 2007-08 triggered what some have called the Great Recession, the combination of high fuel prices and fewer people employed led to an unexpected reduction in driving (measured as vehicle miles of travel—VMT). The reduced VMT along with gradually increasing fuel economy led to significantly less federal and state fuel tax revenues than had been projected at the time of the previous reauthorization legislation, SAFETEA-LU, in 2005. Moreover, Congress made the problem worse by allocating more funding than the projected HTF revenues, by spending down most of the rather sizeable surplus in the Trust Fund.

Thus, when Congress was unable to agree on a successor bill during the recession, the continuing resolutions it passed to keep HTF monies flowing included significant infusions of general fund revenue, in addition to the Administration’s stimulus funding. These inflows into the HTF, averaging about \$7 billion per year from 2008 through 2011, disguised the nature of the problem of spending that was growing far beyond what highway user taxes were providing. Thus, what had historically been a self-supporting program, in which federal highway-user revenues exceeded federal highway spending,³ for the first time could be portrayed as a program in which general taxpayers were subsidizing highway users.

State DOTs got used to receiving unprecedented sums during the era of SAFETEA-LU and its extensions. FHWA highway statistics provide the following revenue and spending figures for the HTF’s Highway and Transit Accounts:

| Year | Highway Spending | Transit Spending | User-Tax Revenues | Revenues minus Spending |
|------------|------------------|------------------|-------------------|-------------------------|
| 2005 | \$33.1 billion | \$6.8 billion | \$37.8 billion | —\$2.1 billion |
| 2006 | \$32.5 billion | \$3.3 billion | \$38.2 billion | \$2.4 billion |
| 2007 | \$34.7 billion | \$4.4 billion | \$39.4 billion | \$0.3 billion |
| 2008 | \$37.0 billion | \$6.0 billion | \$36.4 billion | —\$6.6 billion |
| 2009 | \$37.6 billion | \$7.3 billion | \$35.1 billion | —\$9.8 billion |
| 2010 | \$32.0 billion | \$7.4 billion | \$35.0 billion | —\$4.4 billion |
| 2011 | \$36.2 billion | \$8.3 billion | \$36.9 billion | —\$7.6 billion |

Source: FHWA highway statistics Table FE-210

The figures above show that in nearly every year of this period, highway plus transit spending exceeded the revenues from highway user taxes. The difference was made up initially by Congress spending down the accumulated balance in the HTF, which had peaked at over \$15 billion prior to the recession, and subsequently by

stimulus funds. But looking ahead, with the HTF balance nearly gone, and no further stimulus program in sight, the Congressional Budget Office projects that the HTF will start showing a negative balance in 2015 and increasing each year thereafter. This projection assumes that the spending established in MAP-21 for 2013 and 2014 becomes the new baseline and is annually adjusted for inflation. Highway user revenues are projected at between \$38 billion and \$40.8 billion per year over this period, but highway plus transit spending from the Trust Fund, from the MAP-21 baseline, is projected to be about \$49.6 billion per year.

NEAR-TERM ALTERNATIVES FOR THE HIGHWAY TRUST FUND

There is no painless way out of the dilemma facing the HTF in coming years. There seems to be very little political support for increasing federal fuel taxes, and no other source of new revenue is on the horizon. In this section I will describe two near-term approaches that could be part of the next surface transportation reauthorization bill. Neither would solve the longer-term problem, which I will address in a subsequent section.

RETURN THE TRUST FUND TO HIGHWAYS ONLY

This approach would recognize that the size of the annual shortfall is approximately the amount of highway user-tax revenue devoted each year to the HTF's Transit Account and other non-highway programs. The 10-year CBO projection shows annual highway contract authority at \$41 billion, and the sum of revenues and interest allocated to the Highway Account and the Transit Account as averaging \$40.1 billion per year. Thus, 98% of the baseline highway spending level could be met by the projected highway user-tax revenue projected for this 10-year period. (And the Highway Account could also cease funding non-highway programs such as CMAQ and Transportation Alternatives.)

How would transit be funded if there were no longer a Transit Account in the HTF? In the short term, Congress could allocate general-fund money directly to the Federal Transit Administration, rather than putting that same amount of general-fund money into the HTF's Transit Account. This is probably not a sustainable long-term solution, given the pressures on federal general-fund spending due to the overall budget situation. But it would be intended as a transition measure, providing time (the duration of the next reauthorization) to come up with a longer-term solution for transit.

The current Administration's focus on livability and sustainability, including FTA's active encouragement of local streetcar projects and economic development, suggests a possible alternative home for the FTA as part of the Department of Housing & Urban Development. Indeed, the FTA's predecessor, the Urban Mass Transportation Administration, was originally part of HUD, and was only transferred to the U.S. DOT during the Carter Administration. HUD is supported by general revenues, but FTA would be a relatively small addition to HUD's \$45 billion budget.

REFOCUS THE HIGHWAY TRUST FUND ON INTERSTATE COMMERCE

The second alternative goes somewhat beyond the first. As part of the overall rethinking of the federal government's role that needs to take place this decade, the roles of federal, state, and local governments need to be sorted out, such that each does the tasks most appropriate for that level of government. The federal government should concentrate on major, nationwide issues, such as its constitutionally authorized role of ensuring the free flow of interstate commerce. That, along with the power to establish post roads, appears to provide a sound justification for a major national highway network, such as the Interstates (and portions of the larger system designated as the National Highway System). But other state highways should return to their historical status as state responsibilities, and transit under this approach would be recognized as the responsibility of urban regions. (This sorting-out approach was proposed by Alice Rivlin of the Brookings Institution in 1992.⁴)

A Highway Trust Fund devoted to Interstates and NHS could invest more than FHWA currently does in these critically important corridors of commerce and personal travel. The \$40 billion per year expected from highway user-tax revenues over the next decade is twice the current annual investment in the Interstates by federal and state governments, though a portion of that total would continue to be spent on NHS highways under this approach. But by targeting federal assistance to these corridors of commerce, the nation could make a start on the enormous task of reconstructing and modernizing aging Interstates and key NHS corridors, replacing their

worn-out pavements, adding lanes where needed (especially in major truck corridors), and bringing designs up to current safety and durability standards.

A major benefit of either of these near-term alternatives would be to reinstate the original promise made when federal highway user taxes and the HTF were introduced in the 1956 legislation: users-pay/users-benefit. American voters have by and large lost trust in the HTF, as the program lost its focus and became more of an all-purpose transportation public works program over the last three decades. Refocusing those user taxes on highways only, or preferably on major interstate-commerce highways, would be a first step in restoring voter trust in the Trust Fund, which is a pre-condition for its being able to increase needed investment in major highways and bridges.

THE NEED FOR INCREASED HIGHWAY INVESTMENT

Before looking into longer-term options for the HTF, let me address the question of whether additional highway investment is actually needed. A recent study by a team headed by Prof. David Hartgen analyzed 20 years of federal highway data to address the question of whether America's highways and bridges are "crumbling."⁵ Using seven key indicators, Hartgen showed that most states made major improvements in the condition of their highways and bridges over that time period, as well as achieving a 42% reduction in the rate of highway fatalities. The only area where little progress was achieved is urban traffic congestion, with only a modest 7.6% reduction in the extent of urban Interstates congested—and that is likely due to the effects of high fuel prices and unemployment in 2007-2008.

But despite that progress, there is still a large backlog of bridges in poor condition, as well as the festering problem of urban congestion—as well as the fact that much of the Interstate system is nearing the end of its 50-year design life and in need of major reconstruction. The definitive source on highway investment needs is the Federal Highway Administration's biennial "conditions and performance" report. Chapter 8 of the latest report presents various investment scenarios—to maintain the current conditions and performance (no better, no worse) or to improve conditions and performance by investing in all projects whose benefits exceed their costs.⁶ The table below summarizes these cases.

| Scenario | Route-Miles (2010) | Sustain Current Spending (\$B/year) | Maintain Conditions & Performance (\$B/year) | Improve Conditions & Performance (\$B/year) |
|---------------------------------|--------------------|-------------------------------------|--|---|
| Interstate System | 47,328 | \$20.0 | \$24.3 | \$43.0 |
| National Highway System | 159,326 | \$42.0 | \$38.9 | \$71.8 |
| Entire Federal-Aid System | 1,024,844 | \$91.1 | \$101.0 | \$170.1 |

For the entire federal-aid highway system, federal and state governments spent \$91.1 billion in 2008, which was about \$10 billion short of what would have been necessary to prevent some combination of declining pavement and bridge conditions and worsening of congestion (which would have required \$101 billion instead). And to make cost-effective improvements in the system would have required \$170.1 billion that year, according to FHWA's models. Looking at the subset of highways comprising only the Interstate system, state and federal governments together invested \$20 billion in 2008, which was \$4.3 billion short of what was needed to maintain status-quo conditions. To make all the cost-effective improvements would have required more than double that level—\$43 billion per year. That is mostly due to a combination of reconstruction needs and widening needs.

These are credible estimates, based on a methodology that has been continually refined and improved in recent decades. These estimates are taken very seriously by transportation professionals, and should be taken seriously by elected officials, as well. They clearly show the need for increased investment in projects whose benefits exceed their costs (which is built into the models yielding the above estimates).

As Congress looks toward the next reauthorization of the federal program, in 2014, it is clear that under any likely revision of the program—and certainly under the two near-term approaches outlined previously—the states will need to continue taking on a larger share of the burden, compared with the now-ended era of abundant and ever-increasing federal funding. So in addition to revamping the federal program itself, Congress needs to give the states more tools to enable them to increase highway-user revenues and to shift more toward financing large-scale projects, rather than paying for them out of annual cash flow.

On the revenue side, the single most important provision would be to remove the remaining federal prohibition on charging tolls on Interstates. Toll financing is a powerful mechanism for raising the capital needed to reconstruct and modernize the

aging Interstate system. Permitting such financing for that specific purpose would enable states to begin the replacement of the original 20th-century Interstate system with a truly user-funded Interstate 2.0 for the 21st century. The tolling should be done via state-of-the-art all-electronic tolling (AET), dispensing with the need for toll booths and toll plazas. Recent research has demonstrated that if AET is implemented with a streamlined business model, the cost of raising highway funds in this manner can be as low as 5% of the revenue collected; 20th-century cash toll collection often consumed 20 to 30% of the revenue collected.⁷

Two other financing tools will also help state DOTs begin a transition from grants to more direct user-based financing. One is to continue and possibly further expand the successful TIFIA loan program to provide gap financing for projects that have a dedicated revenue source and can achieve an investment-grade rating on their senior debt. And because large-scale tolled projects lend themselves to procurement as long-term public-private partnerships, Congress should continue to ensure that tax-exempt revenue bonds are available, putting PPP providers on a level financial playing field with government toll agencies. Current law caps the total amount of such private activity bonds (PABs) at \$15 billion. That volume may well be used up by the time Congress enacts the next reauthorization, so my recommendation is to remove the cap altogether, or at least to double it to \$30 billion.

A LONGER-TERM PERSPECTIVE ON THE HIGHWAY TRUST FUND

Nearly the entire transportation research community and most state DOTs have concluded that per-gallon fuel taxes are not viable going forward and will need to be replaced over the next several decades. The conclusion of the special TRB committee on which I served was that the replacement should be a new user fee, to retain the inherent benefits of having users pay for the highways they use.⁸ After extensive analysis and discussion, a similar conclusion was reached by the National Surface Transportation Infrastructure Financing Commission, on which my Reason colleague Adrian Moore served. Their report concluded that the best form of user fee would be one based on miles traveled rather than on gallons of fuel used.⁹ The term now used for this concept is mileage-based user fees (MBUFs).

There is considerable debate over how to design a system or systems to collect and enforce payment of MBUFs, as well as how to make the transition. So it would be premature for Congress to make decisions that would pre-empt promising research and demonstration projects that are now taking place in states such as Oregon, Minnesota, and Texas.

Some points are becoming clear from these initial research projects. One is that there is extensive concern among motorists about any requirement for a device to be installed in all vehicles which would track the location of all travel. Popular media have created the impression that implementing MBUFs would require a "GPS tracking device" in all vehicles. In my professional judgment, such a mandate would be both politically and economically infeasible.

Another emerging finding is that there will probably not be a single, one-size-fits-all way of charging all vehicles per mile driven. What might work for truck fleets—many of which are already GPS-equipped—is very different from what would be feasible for a 250 million individually owned vehicles. And what might be needed for variable pricing on congested freeways is different from what is needed to record total miles driven on ordinary streets and roads.

My current scenario for MBUF implementation is for a two-tier system for personal motor vehicles. Tier one would be a very basic, low-tech system based on annual miles recorded by vehicle odometers, probably linked with annual renewal of vehicle registration. This system would charge for miles driven on ordinary streets, roads, and lower-tier state highways. Those living in a metro area such as Kansas City that spans the border between two states might need to opt for a more sophisticated system that could distinguish between the miles driven in one state versus the other. That could be done using cell-phone towers to identify the general location of travel—one side or the other side of the border.

Tier two would apply to the limited-access highways, namely the Interstates, other major limited-access highways that are part of the NHS, and urban expressways. Per-mile charging for these highways could be done at low cost via an expanded version of today's all-electronic tolling, which is rapidly replacing earlier versions of electronic toll collection at toll plazas and open-road tolling to bypass toll plazas. With AET, no booths or plazas would exist. Instead, gantries would be required to mount the antennas and video cameras needed to assess mileage-based charges from the point of entry to the point of exit. The charges would be based on miles driven and vehicle classification, as on existing toll roads. In urban areas

with serious peak-period congestion, the per-mile charge would be variable, as on existing HOT lanes, to reduce congestion.

The above approach could be phased in over a period of years, and requires no new technology and no Big Brother tracking. For Interstates, the introduction of AET could be linked with the reconstruction and modernization of individual corridors, as they reach the end of their existing design life over the next two decades. For state and local roads, in my view the best approach is to let a thousand flowers bloom, as states lead the way in testing economically and politically feasible ways to replace their fuel taxes with MBUFs.

What should be the federal role in this transition? The most constructive role would be to encourage states to move forward with research and experimentation over the next decade, and to remove barriers such as the current ban on tolling Interstates for reconstruction. Full national interoperability for all-electronic toll collection is a precondition for the tier-two approach outlined above, and Congress could further encourage the promising work under way on this by the Alliance for Toll Interoperability.

Once the full transition to mileage-based user charges is well under way, it will be appropriate to consider whether America will still need a federal Highway Trust Fund. The original rationale for putting the federal government in charge of creating the Interstate system was that the turnpike model pioneered by eastern states (Pennsylvania, New York, Ohio, etc.) in the 1940s and 1950s could not produce a nationwide system, because traffic levels were far too low in the South and West to support toll-based financing. Consequently, the decision was made to enact uniform federal taxes on gasoline and diesel fuel and to redistribute funds from high-traffic states to low-traffic states to create the national network.

The United States has changed dramatically in the nearly 60 years since the 1956 legislation was enacted. There have been massive shifts in population to the South and West, with metro areas like Atlanta, Orlando, Miami, Houston, Dallas, Denver, Phoenix, and Las Vegas as major centers of economic activity. A huge interstate trucking industry has emerged, turning many Interstates into critically important commerce corridors. Traffic levels on many southern and western Interstates are at levels unimagined in 1956, and truck traffic on many key corridors is projected to greatly exceed their capacity over the next 30 years. Preliminary research at the Reason Foundation suggests that toll-financed reconstruction of Interstates may well be feasible for all but a handful of states—a situation that was unimaginable in 1956. And if that finding is verified by further research, it suggests that the original justification for the HTF—the need for large-scale redistribution of highway revenue—may no longer exist.

Recent empirical research on how federal funding is distributed among states also casts doubt on the continued need for geographic redistribution. Researchers Zhu and Brown used data on federal highway spending from 1974 through 2008 to test several hypotheses to explain how much each state received, compared to what it contributed in federal highway user taxes.¹⁰ They found that redistribution is not taking place from higher-income states to lower-income states, but from states with lower income to states with higher income. They also found that redistribution shifts funds from states with greater highway system needs (due to more highways and greater traffic) to those with lesser needs. They also found a strong rural bias, and also a significant relationship between seniority on highway committees and per-capita funding levels.

This recent research calls into question the ongoing need for a federal program to collect and then redistribute highway funds among the states. And with the transition to mileage-based user fees, most states will be able to fund and manage their own highway systems. The federal role might then become more of a standard-setting and regulatory role for the expanded Interstate 2.0 network, consistent with the federal constitutional power to ensure the free flow of interstate commerce.

That concludes my testimony. I will be happy to entertain questions and will answer them to the best of my ability.

ENDNOTES

¹Robert W. Poole, Jr., “Funding Important Infrastructure in a Fiscally Constrained Environment,” Policy Brief No. 102, Reason Foundation, January 2013 (<http://reason.org/files/transportation—funding—budget—constraints.pdf>)

²Robert W. Poole, Jr. and Adrian T. Moore, “Restoring Trust in the Highway Trust Fund,” Policy Study No. 386, Reason Foundation, August 2010. (<http://reason.org/studies/show/highway-trust-fund-reform>)

³Bureau of Transportation Statistics, “Federal Subsidies to Passenger Transportation,” U.S. Department of Transportation, December 2004 (www.bts.gov/publications/federal—subsidies—to—passenger—transportation)

⁴Alice Rivlin, *Reviving the American Dream*, Brookings Institution, 1992, p. 17.

⁵David T. Hartgen, et al., "Are Highways Crumbling? State and U.S. Highway Performance Trends, 1989-2008," Policy Study No. 407, Reason Foundation, February 2013. (<http://reason.org/files/us-highway-performance-20-year-trends-full-study.pdf>)

⁶U.S. Department of Transportation, 2010 Status of the Nation's Highways, Bridges, and Transit: Conditions & Performance, March 2012, Chapter 8.

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⁸Transportation Research Board, The Fuel Tax and Alternatives for Transportation Funding, Special Report 285, 2006.

⁹National Surface Transportation Infrastructure Financing Commission, Paying Our Way: A New Framework for Transportation Finance, 2009.

¹⁰Pengyu Zhu and Jeffrey Brown, "Donor States and Donee States: Investigating Geographic Redistribution of the U.S. Federal-Aid Highway Program, 1974-2008," Transportation, Issue 1, 2013.

Mr. GARRETT. Sure, thank you. Appreciate your comments. Mr. Geddes, welcome to the panel, and you are recognized for five minutes.

STATEMENT OF R. RICHARD GEDDES

Mr. GEDDES. Thank you Mr. Chairman, Ranking Member Van Hollen, and other distinguished members of the Committee. Thank you for inviting me. It is an honor to be invited to this hearing on this important issue on the State of the Highway Trust Fund.

There are four key points that I would like to make in my oral statement today. First, echoing what Bob just said, the current approach to funding the Highway Trust Fund, and to transportation infrastructure more generally in the United States that relies on the burning of fossil fuel, is unsustainable. There are a number of reasons for this. First, the burning of fossil fuels obviously relies on the driving of cars, but the fuel efficiency of those vehicles is improving rapidly over time, and the amount of vehicle miles travelled annually by Americans started to level off in about 2006. As vehicles become more fuel efficient, the revenue end of the Highway Trust Fund begins to fall. Improvements in fuel efficiency are virtually guaranteed at this point because of tightening corporate average fuel economy standards that we are imposing on cars and trucks. I believe that the revenue into the Highway Trust Fund will continue to be stressed relative to the demands on that fund.

Second, I believe the best approach to funding infrastructure is to transition to a variable mileage-based user fee, which is really just a variable per-unit charge or price for the use of roads that is similar to the way we price any other good or service. Such a system has a number of social benefits that I believe are very important. First, we can greatly reduce traffic congestion in the United States through the use of variable per-unit user fees. Second, we create a reliable revenue stream that funds road maintenance and expansion, thus improving our infrastructure, giving us better grades with the American Society of Civil Engineers. Third, we direct transportation infrastructure to its highest-valued use through the prices people are willing to pay. In other words, if they are willing to pay a higher per-unit price for the use of the road, that means the value to motorists is higher. That should be used to help us direct investment.

Third, as Bob stressed, because such fees are a departure from current practice, I believe that innovative approaches to enhancing the appeal of mileage-based user fees must be explored. In other words, it is not enough to simply say, "This is a good idea." I think

we need to suggest ways of actually implementing these things. One way to accomplish this, I believe, is through the use of a permanent public trust fund, which are currently in use in Alaska, Alberta, Norway, and Texas. The substantial economic value released by road pricing can be captured and preserved forever in a permanent fund that distributes annual dividends to all citizens, which is exactly what happens in Alaska right now through the Alaska Permanent Fund.

Fourth, although the value from pricing something through, in this case, mileage-based user fees, can be captured through either municipal bonding power or through a PPP concession lease, I believe that there is a range of social reasons why we should prefer the use of P3 concessions. Those include greater access to capital markets; we know we need more investment in infrastructure, the capital is there, ready to invest in our infrastructure. Additionally, high-powered, focused incentives to seek new revenue, better manage costs, operate infrastructure facilities more efficiently. You can tap global business acumen and experience, as well as the ability to bear risk, which the private sector is expert in.

Moreover, reliance on a contracting approach that enforces a regular maintenance schedule and high-quality service can be part of the P3 approach. I believe that this approach generates substantial social value because it explicitly recognizes the rights that all citizens hold currently in their infrastructure, one of which is to capture the revenue from the value of the asset. Just as a landlord has a right to capture the value from renting out an apartment unit, the citizen owners of public infrastructure, particularly in transportation, have a right to capture the value from pricing their assets. That can be done through mileage-based user fees, and preserved forever in a permanent fund that yields dividends.

The permanent fund approach has been studied thoroughly in the case particularly of Alaska, but also of Texas, and it has many advantages. It preserves citizen owner value from infrastructure forever. It smoothes out the effects of recessions by providing an annual dividend regardless of economic conditions, and it reduces income inequality. In my view, it is critical to offer such important benefits to gain widespread acceptance of this new, sustainable infrastructure of funding approach. Thank you, Mr. Chairman, and I look forward to your questions.

[The prepared statement of Richard Geddes follows:]

PREPARED STATEMENT OF R. RICHARD GEDDES, VISITING SCHOLAR, AMERICAN ENTERPRISE INSTITUTE; ASSOCIATE PROFESSOR, DEPARTMENT OF POLICY ANALYSIS AND MANAGEMENT AND DIRECTOR, CORNELL PROGRAM IN INFRASTRUCTURE POLICY, CORNELL UNIVERSITY

CHAIRMAN RYAN, RANKING MEMBER VAN HOLLEN, DISTINGUISHED MEMBERS OF THE COMMITTEE: Thank you for the opportunity to submit testimony to the House Budget Committee of the U.S. House of Representatives on the current state of the Highway Trust Fund. I am R. Richard Geddes, Associate Professor in the Department of Policy Analysis and Management at Cornell University, Director of the Cornell Program in Infrastructure Policy, and Visiting Scholar at the American Enterprise Institute. I was a member of the National Surface Transportation Policy and Revenue Study Commission that reported its findings to Congress in 2008. I am also a member of the Revenue and Finance Committee of the Transportation Research Board. I make four main points in this testimony:

1. Under its current structure, the Highway Trust Fund (HTF) is not sustainable, and a new system of funding surface transportation infrastructure must be adopted.

2. The most desirable approach is a system of variable per-mile user fees, sometimes

called Mileage-Based User Fees (MBUFs), which is consistent with the way providers of most goods and services, including utilities, charge their customers.

3. Adopting a system of direct MBUFs is a departure from past practice, and its widespread adoption may be unpopular with motorists. It is therefore important to consider policies to enhance the public appeal of MBUFs. An important new approach to enhancing the public appeal of MBUFs is to better recognize citizen-ownership of infrastructure assets, and to utilize a permanent fund—one type of public trust fund—to preserve economic value released by pricing and to generate dividends in perpetuity to asset owners.

4. Public-private partnerships, or PPPs, which allow competitive bidding by expert private infrastructure operators for the opportunity to operate and maintain infrastructure assets, are an important mechanism for releasing the value embedded in U.S. transportation infrastructure assets. That released value can be used to capitalize the public permanent fund.

I discuss each of those major points below.

1. THE UNSUSTAINABLE STRUCTURE OF THE HIGHWAY TRUST FUND

The fiscal condition of the Highway Trust Fund (HTF) was a key focus of the Revenue and Policy Study Commission's work. The Commission was told of the effects of increasing vehicular fuel efficiency on projected HTF revenue, and that the fund was expected to experience large shortfalls. However, annual vehicle miles traveled (VMT) in the United States peaked in 2006 after rising almost continuously since 1960. As Figure 1 in the Appendix indicates, VMT has historically rarely declined, or even leveled off, even during periods of substantial economic weakness. The recent weakness in VMT thus appears to represent an important change in the demand for road use. Moreover, revenue from fossil fuel taxes naturally declines as motorists shift into alternative power sources, such as natural gas and electricity.

The combination of improving fuel efficiency and weak VMT growth has proved burdensome to the HTF, necessitating transfers from general funds. Infrastructure funding problems extend beyond the federal level, and similar factors have reduced state-level resources for transportation from fossil fuel taxes. The use of general funds for highways is disconcerting from a policy perspective. It represents further movement away from a user-pays model of highway funding, which was the cornerstone of the original fuel-tax funding approach for the Interstate Highway System. As I explain below, it is instead socially beneficial to move closer to a user-pays approach to transportation funding.

Moreover, HTF revenue declines are coming at a time of rising demand for resources to renovate roads and highways. In its 2013 Report Card for America's Infrastructure, the American Society of Civil Engineers reported that 32 percent of America's roads are in poor or mediocre condition, and assigned a D as the overall grade for road condition. The Report Card stresses the recurring problem of deferred maintenance in leading to such low grades.

The problems facing the HTF are symptomatic of deeper problems created by the current approach to funding U.S. infrastructure that relies on the burning of fossil fuels. Increasing vehicular fuel efficiency is virtually certain given more stringent CAFE standards.

It is thus time to "think big" with regard to funding alternatives, and to move toward an approach that will create a sustainable, well-maintained highway system where investment is allocated to its highest valued use, and where traffic congestion is mitigated. Moving to a system of variable per-unit user charges can help achieve those important social goals.

A new funding approach to such a vast infrastructure system will take time and effort to adopt. In the medium term, steps should be taken to restore the user-fee approach to highway funding. Because fossil fuel taxes are paid by highways users, this implies reducing the use of general funds for transit as much as possible. One obvious step is to dedicate all fuel tax revenues to the Highway Account within the HTF only, and use general revenues to fund the Transit Account, rather than using general funds to subsidize both. This would have the added benefit of improving public governance, since it would increase the transparency of any direct taxpayer transit subsidies.

An increase in the federal gas tax is sometimes proposed as a remedy. I view this as politically infeasible. Indeed, after almost two years of work, a majority on our Commission recommended (and I dissented from) a 30 cent per gallon increase in federal fuel tax rates, a recommendation that was summarily dismissed. I believe

that the only sustainable solution—and the best one—lies in the adoption of direct per-unit road user charges, or variable MBUFs.

2. TOWARD VARIABLE PER-UNIT USER FEES, LIKE OTHER GOODS AND SERVICES

The current U.S. transportation system suffers from a set of serious problems, including shortages of road capacity in many areas (which manifests as traffic congestion), deferred maintenance, under investment, and misdirected investment. The HTF—and our transportation system more broadly—are facing such problems not because of factors unique to transportation infrastructure, but because of the way users (or customers) currently pay for system use. If, for example, the U.S. steel industry were government owned, funded through taxes, and gave its output away for free, it would be suffering from problems very similar to those in U.S. infrastructure.

There is now wide agreement among economists that the most socially beneficial policy change that could occur in transportation is adoption of variable per-unit user charges. That is, a per-mile fee that varies depending on factors that reflect the current scarcity of road capacity, such as time of day. The technology now exists to directly charge motorists based on road scarcity and miles traveled. Technology is no longer the barrier that it was in Eisenhower's time.

Variable per-unit prices paid directly by customers are the way in which the vast majority of goods and services are provided. Households pay for electricity per kilowatt hour used, per minute of cell phone use, per gallon of water, and per therm of natural gas. Those prices can be allowed to vary as desired. Indeed, virtually all goods are successfully provided through reliance on variable per-unit pricing. We pay per hamburger consumed, per car purchased, and per cup of coffee. Persistent problems of shortages, deferred maintenance, and underfunding do not exist in any sector relying on variable per-unit charges. Indeed, there is now a presumption in favor of the use of variable unit pricing of goods and services to regulate demand and to guide investment.

From the perspective of the HTF and the stability of highway funding more generally, a key social benefit of moving to a system of MBUFs is the generation of facility-specific revenue that will ensure the facility is adequately maintained and expanded as necessary over time. By creating a stream of revenues directly from customers, MBUFs insulate funding for facility maintenance from budgetary uncertainty. However, there are several additional valuable social benefits of MBUFs, which include (among others):

- By increasing during periods of peak road demand, variable MBUFs provide motorists with clear signals as to when they should consider transportation alternatives. That is, they signal when road space is most scarce. Price signals are critical because they allow motorists to choose the alternative for conserving on scarce road capacity that is most appropriate for them, such as bus, transit, carpool, altering work schedules, telecommuting or biking. As a result, variable MBUFs reduce the environmental and other social harms associated with traffic congestion.
- By reflecting motorists' willingness to pay for road use, variable MBUFs provide guidance as to where investment can be most usefully directed. That is, they objectively signal where the value of added investment is highest to customers. Conversely, such price signals help avoid the allocation of scarce investment dollars to low value projects, sometimes referred to as "white elephants."
- Variable VMT fees reflect the same user-pays principle embodied in the original fuel-tax approach to Interstate highway funding, which is used successfully to fund the utilities mentioned above. It reflects the widely accepted fairness principle that someone receiving the benefits of a good or service should pay for them. Conversely, those who do not use the roads are not charged for them.
- The security of facility-specific revenues generated by MBUFs can be used to attract private investment, or to support municipal bond issues, to renovate and maintain the facility. In either case, the improved certainty of MBUF revenue (relative to federal or state budgetary allocations) will generate greater resources through the financial markets.

Because it shares a network structure with several key sectors, it is useful to think about the U.S. transportation system under a MBUF system as a public utility. This conceptual framework is useful because it facilitates examination of policy lessons learned from other public utilities. A complete examination of those lessons is outside the scope of this testimony.

Although there is wide agreement among academics that a system of MBUFs would generate large social benefits, use of them in the United States thus far has been limited. Variable user charges have been largely limited to new transportation capacity, such as the new High-Occupancy Toll (H₀T) lanes on the Northern Vir-

ginia side of the Washington, DC beltway, or to conversions from High-Occupancy Vehicle (HOV) to HOT lanes. Such limited use is generally attributed to resistance from motorists to the adoption of new user fees.

It is insufficient to simply stress the benefits of MBOFs in the hope that they will be adopted. It is instead necessary to consider new approaches to enhancing the public appeal of using MBOFs. I offer one such approach below.

3. ENHANCING THE APPEAL OF ADOPTING MBOFs

Although they may seem unrelated at first glance, the key to increasing the public appeal of MBOFs is to clarify the rights citizens currently hold in public infrastructure assets. Clarifying the rights held by citizens allows them to capture some of the value created by MBOFs. Stressing the basic property rights of citizens as the ultimate owners of infrastructure assets improves citizen-stakeholdership in those assets, creating incentives typical of ownership in asset performance and maintenance.

The relevant jurisdiction of infrastructure asset ownership, and thus the correct citizen group, is currently well defined. For example the entire Interstate Highway System is, with the exception of federal ownership of the Woodrow Wilson Bridge, owned by the citizens of the states in which those highways are located.

One important aspect of ownership is a property right to asset-generated income. If a landlord owns several apartment units, for example, the landlord has a right to lease the use of a unit and to capture the rental revenue from its use, while retaining title to the unit. Analogously, the citizen-owners of infrastructure assets possess a right to benefits from pricing use of their infrastructure. Explicitly recognizing the public's right to asset revenue can be thought of as the "public-ization" of infrastructure assets.

The decision to adopt MBOFs lies with public-sector decision makers for publicly owned transportation facilities. To make adoption of variable MBOFs politically feasible, a broad group of citizens in the relevant jurisdiction must realize benefits from that change. Using MBOFs to price transportation capacity that is currently "free" (i.e. a price of zero) allows substantial economic value latent in those critical infrastructure assets to be released.

As noted above, MBOFs create a facility-specific revenue stream that can be used to generate a large up-front payment from either a municipal bond issue or from a concession payment if private partners are included through a public-private partnership (or PPP). The term "PPP" refers to a contractual relationship between a public-sector project sponsor and a private sector firm or firms coordinating to provide a critical public good or service.

In order to ensure that infrastructure owners realize benefits directly from the value released, a portion of the upfront payment facilitated by MBOFs should be protected in perpetuity through a public permanent fund. The permanent fund structure is governed by Government Accounting Standards Board rules. Annual dividends from the permanent trust fund can be distributed to all citizen-owners of the infrastructure.

Experience in preserving natural resource wealth using a permanent fund suggests that this approach is feasible, sustainable, and creates vast social benefits. Similar to a trust fund, a public permanent fund preserves wealth in perpetuity since the fund's principal is never spent. It is a public fund because it is citizen-owned. Such funds have been used successfully to preserve natural resource wealth in Alaska, Alberta, Norway, and Texas. The largest U.S. examples are the \$45.5 billion Alaska Permanent Fund and the \$28 billion Texas Permanent School Fund. The value embedded in citizen-owned infrastructure assets is thus preserved in a citizen-owned fund that provides annual dividends for those citizens.

The Alaska Permanent Fund is a semi-independent corporation created by the Alaskan constitution of 1976. Alaskan natural resource wealth in the form of North Slope oil reserves was quickly spent by the State's government after its discovery in 1968. As one commentator describes:

In 1968, nine years after statehood, Atlantic Richfield pumped the first oil from Prudhoe Bay, beginning a new boom cycle. The following year the state held an auction for oil leases, and in a single day collected \$900 million, at a time when the state budget itself was barely over \$100 million. This shower of riches sent Alaska into a frenzy of public spending, particularly on capital projects. From 1961 to 1981 state general fund expenditures grew at an average annual rate of 22 percent, from \$45 million to over \$3 billion.

In response, the Alaska Permanent Fund was established to help preserve state natural resource wealth for future generations and to protect it from short-term spending pressure. The Alaskan constitution required that at least 25 percent of the

revenue from oil and gas sales or royalties be placed into the Permanent Fund. The Fund is invested in a diversified portfolio of assets, including stocks, bonds, real estate, and infrastructure itself. Investment income generated by the fund is used to pay an annual dividend to every Alaskan citizen, including children.

The Texas Permanent School Fund was created in the Texas Constitution of 1876. It was capitalized by sales, trades, leases and improvements to lands set aside for that purpose. Investment income generated is used to fund schools. Texas also has a Permanent University Fund created in the Constitution of 1876 to support the state's universities.

The permanent fund model can be extended easily to preserve wealth from non-resource sources, such as the lion's share of upfront payments from bonding against toll revenue or from concession leases. The key is to preserve value released by variable MBUFs through a permanent fund insulated from diversion of user-fee revenue for current spending in order to guarantee households an annual dividend in perpetuity. Research indicates that such dividends create permanently higher personal income and mitigate the effects of recessions. They are also progressive in that they represent a larger share of income for poor families, and thus reduce income inequality.

4. TAX-EXEMPT BONDING OR PPP CONCESSION LEASES?

There are two main ways in which a stream of payments from tolls can be converted into an upfront payment. The first is by using tax-exempt bonds raised against toll revenue. The second is by securing up-front concession payments through PPP leases.

There are important benefits of including private participation through PPP leases relative to the municipal bond approach. Under a PPP approach, a public permanent fund is capitalized with concession lease payments paid by a private partner. The private partner operates the newly tolled, or priced, transportation facility, such as a road, bridge, or tunnel.

If properly implemented, such participation through greater PPP use helps address a set of problems that continue to plague America's transportation system. Social benefits of PPPs stem from four main qualities associated with increased private participation:

- (i) High-powered, focused incentives to innovate, to seek new revenue, and to better manage costs in a sector where high-powered incentives are socially beneficial
- (ii) Business acumen, knowledge, and experience sourced from a global market for infrastructure operators
- (iii) Additional capital and highly developed risk-bearing services through access to new debt and equity capital markets
- (iv) The utilization of a competitive contracting approach that enforces high-quality service and asset maintenance, and allows the discipline of competition to be harnessed for the public good

Such benefits of PPPs are currently being realized through private participation in many aspects of the U.S. transportation sector. For example, the entire U.S. freight rail system can be viewed as a large, multi-faceted PPP. The public sector provided the right of way and created the legal/institutional setting for contracting. Freight rail companies build, maintain and operate bridges, tunnels, tracks, signaling, and rolling stock, while private investors provide capital, bear risk, focused incentives, and budgetary discipline. It is thus no accident that the grade assigned to freight rail infrastructure by the American Society of Civil Engineers in its 2013 Report Card for America's Infrastructure improved from a C- in 2009 to a B in 2013, the largest improvement of any sector. The improvement was mainly due to billions of added private investment.

PPPs are the key contractual vehicle for incorporating private investment into the provision and operation of transportation infrastructure. A PPP is subject to the standard rules of contracting, with clear performance standards linked to readily observable metrics.

There are many ways in which greater private participation through PPP concession leases will improve social welfare. Private partners contribute by bringing capital, risk-bearing services, focused incentives, and expertise to the management of existing transportation assets. Substantial investment in technology, upgrades, and renovation may be required, all of which can be supplied through a PPP.

Importantly, increased private, for-profit participation may not be appropriate for the provision of all goods and services. However, a consensus has emerged in economics that private participation may not be efficient where contracting with a private partner is complex and costly due to the inability to oversee—or “monitor”—the quality of service provided. To offer one possible example, one may be concerned

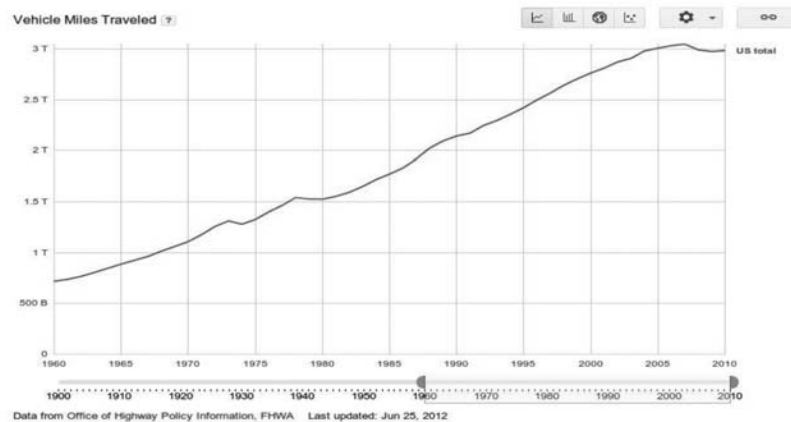
about contracting out the operation of a wildlife sanctuary to a private firm for fear that the operator would not maintain the environment in the sanctuary to a certain socially desirable standard, which is difficult to monitor. Stated differently, the quality of the wildlife's environment could be costly to contract over because quality of performance is difficult for the public contract sponsor to observe.

Because they involve "hard" assets, the types of activities being considered here for increased private participation are precisely those activities where the private partner's performance is readily observable. Metrics indicating how well roads, bridges, and tunnels are maintained and operated are readily monitored. They can be provided for in a contract with measureable performance standards and clear enforcement provisions. Private participation in infrastructure management is thus likely to improve social welfare substantially through better asset performance. Perhaps more importantly, the enormous value locked within these critical national assets can be realized for all citizens, including future generations.

The above approach offers one way to enhance public acceptance of shifting to a system of MBUFs while capturing the benefits of private participation through public-private partnerships.

Appendix:

Figure 1: Annual Vehicle Miles Traveled in the United States from 1960 to 2010 (trillions of miles traveled)



Mr. GARRETT. And I thank the gentlemen, and I thank the lady as well, for joining our panel this morning. You are recognized for five minutes.

STATEMENT OF JANET F. KAVINOKY

Ms. KAVINOKY. Thank you. Thank you, Mr. Chairman, Ranking Member Van Hollen. I am Janet Kavinsky; I am the executive director of Transportation and Infrastructure at the U.S. Chamber of Commerce. The Chamber and its Americans for Transportation Mobility Coalition, a nationwide business, labor, highway, and transit coalition, know that there is a solid case for federal leadership in surface transportation, which is the framework that makes economic activity possible.

Businesses place a high value on the mobility of their employees, customers, and supply chains. A seamless, reliable, safe transportation system boosts gross domestic product. A system that is disjointed, unreliable, unsafe, and inadequate for future economic and population growth drags down the economy. When transportation

networks support predictable logistics, there is a positive and strong correlation with job creating foreign direct investment. However, much of the United States transportation infrastructure, and especially that which support interstate commerce and international trade, is becoming less competitive with the rest of the world.

Federal leadership should be accompanied by investment, and Congress must now lay a course for the solvency of the Highway Trust Fund. There are three paths to Highway Trust Fund solvency. The first: to cut back programs to fit available resources, passing the buck to states and localities. In the view of the Chamber, this path is unacceptable, and in the last several years, Congress repeatedly rejected dramatic cuts to highway and transit programs.

The second is to continue General Fund transfers. And although we appreciated the willingness of Congress to maintain federal investment in this way in prior years, this approach may not support economic growth, competitiveness, and jobs over the long term because it discontinues the user pays principle, which underpins a multi-year transportation program.

The third is to increase existing user fees and/or find new user-related revenue sources to maintain and ideally grow federal investments and address the well-documented needs for today and tomorrow. But we must also ensure that money invested in transportation is spent wisely: do a better job planning and prioritize, deliver projects faster, and stretch user fees farther. The Chamber pressed for, and Congress delivered, significant reforms through MAP-21 that do these things. And, in addition, we must take full advantage of private sector capital, innovation, problem solving, and collaborations. However, public-private partnerships and other forms of private sector involvement are not revenue sources, and are not substitutes for fixing the revenue problem facing the Highway Trust Fund.

So where does the money come from? From a user fee based Highway Trust Fund that enables multi-year funding commitments and supports interstate commerce, global competitiveness, and other national priorities. The Chamber and its members are discussing revenue options in three time periods: avoiding a crisis in 2015, which this Committee is well aware of; establishing a revenue approach from 2015 to 2024; and then preparing for 2025 and beyond.

In 2015 and the years through 2024, there are multiple revenue options that could work alone or in combination. But we continue to believe that the simplest, most straight-forward and effective way to generate enough revenue for federal transportation programs is through increasing federal gasoline and diesel taxes. This is also the critical period for aggressive research and development to prepare a new approach for 2025, when CAFE standards increase, and revenues from gasoline taxes are likely to require substantial replacement as the primary source of funding.

There is no shortage of research that looks at the questions of who pays, for what, how much, and by what mechanism. And the Chamber commends to this Committee the findings of the two commissions created by SAFTEA-LU that looked at the full array of re-

ports and research on the topic of federal revenues for surface transportation. We have not completed our evaluation of funding options, but at this point, every option is on the table. There is one thing for certain: There is no free lunch, there is no creative option, and there is no avoiding the revenue discussion if we are going to fill the gaping hole that has emerged at the federal level.

In conclusion, yes, this nation is faced with difficult fiscal circumstances. The Chamber has spoken out on those repeatedly. However, without proper investment and attention to roads, bridges, and, yes, transit systems, our economic stability, job growth, global competitiveness, and quality of life are at risk. The federal role is at its simplest: to make sure that the nation's transportation system functions well as a whole to support the economy. Let's seize the initiative now to set a new path that will ensure adequate funding to support that role for years to come. Thank you.

[The prepared statement of Ms. Kavinoky may be accessed at the following Internet address:]

<http://www.uschamber.com/sites/default/files/130424-JKTestimonytoHouseBudget-Final.pdf>

Mr. GARRETT. And thank you, as well. So I thank the panel again, and at this point, we turn to questions, and I will recognize myself for five minutes.

So, there seem to be, I thought, some degree of agreement on some of these points, but maybe not so much when we got to the end of the panel. One of your words that you used that sort of struck me was that we do not want to "pass the buck" to the states. Interesting, because is it not the states that are actually passing the buck to us here in Washington? We are basically taking the bucks from the states and then deciding how we are going to use those by distributing out in our political process that we have here in Washington.

Ms. KAVINOKY. There certainly is a passing, I suppose you would say, in the literal term, but what we hear from businesses who are involved in the planning processes, who are engaged with state DOTs, and with locals is that they do not necessarily view it that way. Yes, there is a concern that we have sent money to Washington, and now it is coming back. We have talking about those strings attached. I think that MAP-21 went a long way to addressing those issues.

Mr. GARRETT. Do they not ever say to you that they are a little tired of having to come hat in hand with tin cup to Washington just to beg us to get back the taxes that we have taken from them? They have never expressed that to you? They do that to me all the time.

Ms. KAVINOKY. I will tell you that some of them have, but then they realized that since 2008, they have been getting back more than they are putting in.

Mr. GARRETT. Well, do we have, to the panel, do we have donor states and donee states any more since 2008, 2009? To the panel.

Mr. POOLE. Yes, to some extent. I think Alaska, and Hawaii, and maybe Montana. But when you include the general fund revenue, you know, everybody is basically getting more.

Mr. GARRETT. So the point is, right, when this trust fund was a legitimate trust fund, and states were paying into it, and coming here begging for the money back, then you had the donor states and donee states, and that is when they complain to me, "Why do we have to beg to get our money back?" Now that they are just the largess of the federal government, yeah, I guess most people are happy now that we are borrowing money from someplace else.

Another comment that you made, sort of struck me was, we need to use the money wisely. I do not know, I have been here in Washington for 10 years, and generally speaking I do not see Washington spending the money on whatever program we are talking about more wisely than my county government does, or my state government does. When I had the transportation secretary here under the Bush Administration, and I have asked other ones, I said, "Can you tell me about Route 519? Can you tell me about Route 23? Can you tell me about these?" They could not. And you probably could not find any bureaucrat in Washington who could tell us about those. But you know what? They had sent a lot of dictates and mandates on how my county engineers have to run those roads and spend it. Mr. Geddes, is it the best way, the wisest way, the most efficient ways for the federal government to dictate to the localities, the municipalities, and the states on how to do these things, or can you do it more efficiently another way?

Mr. GEDDES. No, absolutely no, Mr. Chairman. In fact, I think it is inherently a flawed approach. I do not think, no matter how earnest, well-intentioned we try to be, I just do not think we are going to be able to allocate scarce resources that effectively without getting price signals. And that is one of the great overlooked benefits of shifting to a variable mileage-based per unit user fee.

Mr. Chairman, I just want to emphasize that if you look around the hearing room, virtually every product in the hearing right now was funded by a variable price: the light, my phone, et cetera, it is all funded by a variable per-unit user fee. And I think the closer we can go to that system, the better. It not only allocates the demand for iPhones, but it also directs investment into, and on the supply side, into and out of the iPhone business, or the light business, et cetera. I think we need to keep that economic model in mind not just because of dealing with traffic congestion, but because of how it helps to allocate investment.

Mr. GARRETT. Let me pick on one word that just struck me when you spoke, and that was when you used the word "permanent public trust fund."

Mr. GEDDES. Yes.

Mr. GARRETT. Permanent. Everything in Washington is obviously permanent; once we have set up a temporary program, it becomes permanent. Put the word "permanent" in trust fund, we have had experience on the federal level when you set up trust funds for a dedicated purpose that you cannot use it for anything else, that somehow or other, we, in our infinite wisdom here, once again are able to find a way to use it for different things such as highway beautification, bike paths; all great things, but it would not be for that use. Do you have a way that we can actually make sure that this permanent trust fund, if we do continue to send the money

here to D.C., that we would not be able to get our hands on it and use it for other purposes that may not be highway usage?

Mr. GEDDES. Thank you for the terrific question, Mr. Chairman. My focus has mainly been on the state level with these trust funds, and I do not know how quick, how easily that legal approach could be translated to the federal level. But if you look at the Alaska constitution, the Alaska trust fund is constitutionally protected from precisely that sort of thing in Alaska. The province of Alberta in Canada has done something similar with theirs. Texas has done this. Norway has done this. So these are public trust funds that are truly permanent in the sense that they live forever. And they are invested in a broad set of stocks and bonds, real estate, and alternative assets. And they produce dividends forever. It is a way to preserving value. I am fully appreciative of your concern, Mr. Chairman, and how that could be done on the federal level, sir, I just have not studied yet.

Mr. GARRETT. Well, thank you. I appreciate that clarification. I really do. Mr. Van Hollen, for five minutes.

Mr. VAN HOLLEN. Thank very much, Mr. Chairman. Again, let me thank all the witness for their testimony. There were some areas of common ground, and I hope we can probe those areas as we move forward. Ms. Kavinoky, if you could just respond to the issue that was raised earlier with respect to the transit programs within the overall trust fund here, because as Mr. Blumenauer pointed out, obviously people traveling on the highway do get a benefit from people who decide to use other forms of transportation through lower congestion, and those sorts of things. And it has been suggested by one of the witness, by Mr. Poole, that the way to deal with this at the federal level is simply to cut that portion out of the fund, and then just use the incoming fees for the highway fund. Could you respond to that in your capacity as testifying both, as I understand, with both hats on, Chamber of Commerce as well as the Coalition?

Ms. KAVINOKY. Sure. And, you know, when we speak, when I speak for the Chamber and Coalition, we really have a very unified set of views on these things. It is an interesting sort of theoretical and accounting construct to say, "Well, let's just use the highway dollars for the highway people, and we will let the transit folks get their general funds." But the 112th Congress overwhelmingly rejected that approach.

I will tell you from the business community standpoint, business looks at mobility. We have, through the course of time, progressed from building an interstate highway system to providing for mobility. Now perhaps it is the case that the funding sources for the highway trust fund have not progressed with that. And I think that is something, actually, that the commission that Dr. Geddes was on also explored, this question of, "Well if you are going to have more mobility and multimodalism, perhaps we ought to diversify the funding sources." And I think that is something we will debate at the Chamber. But what I hear from my businesses is we are really tired of the debates and the discussions of highways versus transit, we will kick this one out or put this one in. What we hear is we need to make investments in transportation: to move people, to fa-

facilitate the movement of goods, to solve congestion problems, to create economic growth.

A terrific example of this is in Utah. I was born and raised in the state of Wyoming. We did not have a lot of transit in Wyoming, at least not the way that I found when I moved to Washington. So I was really shocked when I went to Salt Lake City last year, and I discovered that they are making, as a state and as Salt Lake, significant investment, not just in highways or in transit, but in mobility. And they are doing that to bring major companies, major employment, economic competitiveness, and growth. So although an interesting solution to fixing the Highway Trust Fund solvency problem, we think that trying to separate highways and transit even further is not something that is going to serve the competitiveness and economic growth needs of the nation.

Mr. VAN HOLLEN. I appreciate that, and, you know, even if you were to separate it out, obviously it raises the next question. What is the funding source for that? And there has been no funding source identified in some of the proposals that have been put forward by our colleagues. Mr. Geddes, I just want to make sure I understand whether or not you believe that starting in the year 2014, there will be enough funds coming in through the current funding source to fund what you think are our national transportation needs.

Mr. GEDDES. Very difficult to predict, I think, because it depends on demand for driving as well as the fuel efficiency of vehicles, and Figure 1 that I have included in my testimony shows the growth in annual vehicle miles traveled in the United States from 1960 to the present. And we have seen a leveling off in recent years that is unprecedented since World War II. So it seems as though there is some fundamental shift that I do not fully understand, sir, that is going on in the demand for driving in the United States, which I think makes it more difficult to predict the revenue that is going to come into the fund. So I do not know that I could provide any special insights on that prediction.

Mr. VAN HOLLEN. Yeah, if you look at the Congressional Budget Office actions, they predict a substantial shortfall. I wrote my question, and we are out of time, is whether or not you think those projected revenues are sufficient for a national transportation trust fund. My time is up. I would just close, Mr. Chairman, by saying, look, you know, there is a philosophical difference in argument that suggests that we should leave a lot of these infrastructure investments, even those of national significance, to state and local process. But I would suggest that if we had done that in the past we would not have the interstate highway that we have that most people believe has been an important economic growth. I yield back the time that I do not have. Thank you.

Mr. GARRETT. I guess we just lost Mr. Lankford. Mr. Ribble.

Mr. RIBBLE. Thank you, Mr. Chairman. I have received some letters from some outside stakeholder groups. And before I begin my questions, I request unanimous consent insert them into the record.

Mr. GARRETT. Without objection.

Mr. RIBBLE. All right, thank you, sir.

Well, this has been interesting. I am the vice chair for the Surface Transportation Subcommittee and TNI. So I have listened closely, and the discussion has been helpful, quite frankly. And I want to start with Mr. Poole. Thanks for your testimony today. I know that you have spent a lot of time looking at this particular circumstance, and I want to talk a little bit about some of the suggestions in your written testimony regarding mileage-based user fees, and how they impact rural communities versus urban communities. One of the concerns that I hear from constituents at home, I am from northeast Wisconsin, so I have a very rural congressional district with really no large urban areas other than Green Bay and Appleton. One of the concerns they have is that under the current system they feel that there is a shift of resources from the rural areas to the urban areas, and that, in fact, if you go to a mileage-based user fee, it becomes actually exacerbated. Right now they can go to a more efficient vehicle because they are driving more miles. Someone in Kansas City, for example, might only be driving two or three miles a day to work. They, on the other hand, might be driving 20 miles a day to work, never using a federal system, using just state roads. And how do you answer that concern?

Mr. POOLE. That is a very legitimate and good question. And transportation research that is being done, there is a lot of work going on looking at how you would structure mileage-based user fees. And this is one of the big advantages that mileage-based fees have over fuel taxes. With fuel taxes, everybody pays the same rate per gallon, which basically means they pay the same rate per mile that they drive. But with a mileage-based charge, there is no reason why that has to be the same for all types of roads. For two-lane country roads, the mileage charge probably be as low as a penny a mile. For major interstates, it is probably more like five or eight cents a mile.

Mr. RIBBLE. Can I interrupt for a second? How do you do that? You know, under your testimony, one of the suggestions you made was using annual vehicle registration to track mileage, so you are not actually tracking vehicles per se. How do you, without having some kind of electronic tracking measure, how do you effectively do that?

Mr. POOLE. Nobody really has a good answer to that. But the model I am using right now is a basic mileage charge base on odometer readings that would cover all of the general streets and roads, and the non-limited access highways. Then there would be an electronic toll, basically, on the interstates and expressways, that, you know, premium price for premium service. And those are the roads that are much more expensive to build and maintain than the small highways that rural people typically use. So there is a growing recognition in terms of studies looking at equity in different ways of doing mileage-based fees that says the charges should be lower because the costs are significantly lower for rural roads than for the big expensive urban runs and the big expensive interstates. I mean, the answer is we do not know yet, but there is work that recognizes that very, very much.

Mr. RIBBLE. I was hoping you would know, but that is okay. I appreciate the response. Mr. Geddes, I am curious about should we be trying to streamline things a little bit and reduce traffic, par-

ticularly commercial traffic, by changing weight limits. Our neighbors to the north allow much heavier vehicles to drive on the roads than we do here. So therefore we have to have sometimes 30 to 40 percent more vehicle traffic on commercial vehicles than you would have in our competing country just to the north of us.

Mr. GEDDES. Yes, thank you for the question. There is a large concern in the literature regarding the effect of axle weight on damage to roads. My understanding is that the current thinking is that the damage to the road is equal to the axle weight to the third power. Some people think it is the fourth. But I think, sadly, the third, big effect.

Mr. RIBBLE. Would adding more axle not contribute weight?

Mr. GEDDES. Yes. It would, absolutely. So that is why I say it is axle weight. And one of the points of variable user charges is that they can not only vary with time of day, but they can also vary with damage to the road. So the cost of a Prius driving on a road is miniscule, while the cost of a heavy truck is exponentially more than that.

Mr. RIBBLE. Which goes to the question of mileage-based user fees, how to do it fairly. Ms. Kavinoky, just quickly, do you think tolling is fair to commercial users if they still have to pay a diesel tax?

Ms. KAVINOKY. The Chamber does not have a strong position one way or another on tolling because our members are very split on the issue of tolling. I think that the question is ultimately what is the total amount that is being paid, and how is that speaking to the solvency of the trust fund. We could sit here and talk about tolls, but tolls are not a question of trust fund solvency. Tolls are really more of an issue of how you fund things at the state and the local level.

Mr. RIBBLE. Thanks for being here. I yield back, Mr. Chairman.

Mr. GARRETT. Gentleman yields back. Mr. Blumenauer, recognized for five minutes.

Mr. BLUMENAUER. Thank you, Mr. Chairman. I do appreciate the testimony. I would just make one observation relative to Mr. Geddes about transportation is changing. You have noted that we have peaked vehicle mile travel that has been growing dramatically, and vehicle mile travel per person has gone up very high. The VMT has leveled off, and VMT per person is going down. It is fascinating to look at what is happening with younger Americans. Those under 34 have seen something in the neighborhood of 23 percent reduction in VMT per capita. But what they do in terms of cycling, if I may put in a plug, has gone up almost 25 percent. Transit has gone up 40 percent.

Americans are interested in more choices. When I turned 16, you know, you camped out in front of the VMT the night before so you could be the first in line to get your driver's license. And now we are watching that the number of driver's licenses for young people is going down. In fact, the number of people under 34 without driver's licenses is now up to 25 percent. So there is something going on; we need a transportation system that speaks to them.

And I appreciate your opening the door to that notion, but I wish, Ms. Kavinoky, you might be able to elaborate on your point about mobility. Ronald Reagan established the Highway Trust

Fund portion that dealt with transit, where we set up something so that there was not a food fight, and it spoke to the overall benefit. You point out that that was rejected, and it was last session. And I have a letter that I would like to put in the record signed by 400 groups and organizations, including yours, rejecting that approach last congress.

Mr. GARRETT. Without objection.

Mr. BLUMENAUER. But can you elaborate on that mobility concept for a moment in terms of what business needs?

Ms. KAVINOKY. Business is looking end to end at trips. So if we are talking about supply chains, global supply chains, I talk to major retailers who say, "Look, I do not want to debate about highways or transit, I do not want to discuss what is going on in 50 different states. What I need to know is can I get my product from its point of origin to its shelves, and how efficient that is."

One of the things that we have done at the Chamber is created something called the Transportation Performance Index that measures, among other things, mobility. And we are looking at the system as a whole. We are looking at roads, rails, runways, rivers, the whole deal. Because performance is not just about mode by mode; it is how they work together, it is how they complement each other, it is how they provide substitute so that you have options for transportation in terms of cost efficiency, time, the relative needs that people have. And mobility is a question that is not just an issue in urban areas.

I think during the SAFETEA-LU debate we heard a lot about mobility in solving urban problems. I was in Bloomington, Illinois last week where they talked extensively about the importance of their transit system, and the fact that their transit system is something that companies like State Farm, Mitsubishi, and the universities in that area demand. And they are leveraging public dollars to invest in that system. And it is about mobility, even in that midsized area.

Mr. BLUMENAUER. I appreciate your referencing that. Indeed, as we get out of the metropolitan areas, mobility for the disabled, for elderly people, for young becomes even more critical. Mr. Chairman, I would ask that our colleagues who are talking about the potential of devolving this system over time, and your reference to letting more of these decisions be made at the state and local level, I would hope that you could share with us any research you have. There is a time to elaborate in a minute, but research you have that indicates that local governments are going to be interested in making substantial investments to facilitate freight movements for the nation as opposed to speaking to complaints and problems that people have locally. They may be able to tell you about State Highway 137, but if we are talking about that interconnectiveness, I can tell you as a former local official for 18 years responsible for transportation in Portland, they were not so much concerned about the throughput of freight, they were concerned about localized items that we tended to over invest in, and it was a struggle to have the commitment to freight and the larger issues. So if you can find some research that indicates that that system could work effectively, I would be very interested in it, because it is certainly not my experience. Thank you, Mr. Chairman.

Mr. GARRETT. All right, thank you. I think that is an interesting question to ask, too. See what Mr. Poole and the panel comes back with. Mr. Lankford is now recognized for five minutes.

Mr. LANKFORD. Thank you, Mr. Chairman. Good morning, all. Interesting conversation we have walked through, and this is not some we are going to solve today, but I do thank the member for bringing this up because I think that this is a very important issue to be able to deal with that we have got to be able to solve long term. We do not have infinite number of dollars. We do have to spend what we do have wisely in the direction of this. Several years ago EPA put out an ethanol requirement for gallons of gas with an assumption that we will continue to have this rising use of gasoline year after year after year, and now we have a greater requirement for ethanol use that we actually have gallons of gas that are going out the door, and then trying to figure out how do we keep forcing ethanol even higher because we have gas that has not continued to rise as expected. Same thing when dealing with the gas tax issue. We are not using as many gallons as we expected. We do not have the dollars that we expected. And so what do you anticipate with that?

So let me just ask some philosophical questions. We can go through these, and I have several I want to talk through. When you deal with the cost of miles of construction, which is less expensive to do, a mile of state highway or a mile of federal highway? Which is less expensive? Mr. Poole.

Mr. POOLE. Very clearly this mile of state highway because the state does not have all the costly requirements like Buy America, and Davis-Bacon, and so forth, that are imposed. One dollar of federal money significantly raises the cost of a highway project.

Mr. LANKFORD. Does anyone else want to comment on that?

Mr. GEDDES. I would love to. As Janet mentioned, I served on the congressionally-created National Surface Transportation Policy and Revenue Study Commission that reported our findings, I think in January 2008; it was section 1909 of this 2005 SAFETEA-LU Bill. And we sort of examined this issue, and the bottom line was we came up with if you accept \$1 of federal money on a project, it adds 11 years to the time of completion for that project because of the array of regulations and other things. The need for processes, the processes do not go all at once, they go from one agency to the other, thus slowing it down, and, of course, time is money, and it adds enormously, Mr. Lankford, to the cost, not only to the cost but to the time. So we found that it is not necessarily a per-lane mile of construction of installing the tar or something, it is really that delay that is the major cost associated with the federal money.

Mr. LANKFORD. Did MAP-21 help with that at all?

Mr. GEDDES. I believe it has.

Mr. LANKFORD. There were a couple things in MAP-21 we tried to put on there. One was trying to stack some of those permitting processes.

Mr. GEDDES. Right, right. And that is an improvement, yes.

Mr. LANKFORD. The second thing was to try to put it in categorical exclusions. There was \$5 million categorical exclusion that was included in MAP-21 to allow us to say to a state, if your project is \$5 million or less, even though you are getting federal funds, you

go through and do the approval processes, and just check it off, and let us know that it was done, rather than go through the federal system. The folks in my state, in Oklahoma, have told me that that is going to save them about seven months of construction, just that part of it for every single project, and 80 percent of our projects in the state are \$5 million or less. So it is a rapid acceleration. So the miles are going farther just by doing that.

So the question begs to this, we can continue to try to figure out how to throw more money at projects, or we can figure out why does it cost so stinking much, and figure out if there is a way to make it less expensive, or at least to do it more efficient in the process. Some things, like a bridge, are incredibly expensive to do. It is a given. We are going to make it safe, we are going to do the verifications; we are going to do all those things. But if we are doing things that just make it more expensive, throwing more money at it is not going to help it.

Mr. GEDDES. I know, Janet, but if I could just say one final plug for bikes. I will put in my plug for public-private partnerships in this case, because one of the big underappreciated benefits of a public-private partnership, I think, is you can put both the risk of time delays and the risk of cost overruns onto the private sector partner that is constructing the facility, and you can reduce the need for federal funding because you go more to the private sector to do that. So you can get projects built on time and on cost with an enforceable contract, where they pay penalties if that is not the case. So that, to me, is a smart solution.

Mr. LANKFORD. It makes a big difference. And Mr. Poole, you had mentioned before this thought about how do we narrow the focus. What is a federal construction project, and what is a state and local project? It seems in the past several years, including in MAP-21, there is an expansion of more and more roads, and everything that you touch to the edge of your driveway now could have some federal nexus to say some delivery truck may, at some point, drive down that road and take it to another state, and so it is very important. That also has a federal nexus on it. How do we narrow the focus back down to say where we started in 1956?

Mr. POOLE. Well, I mean, that is what I suggested really needs to be done, and we are in a time period we are rethinking what the federal government does is crucially important. I mean, over the years, we have come up with all kinds of programs like Safe Routes to School, you know, that sound great. It is very much something that would be nice have and should be done, but is that really the federal government's business as opposed to the state or the community's business? I think this is the time for sorting out, for starting, at least, to sort out and legislatively defining what is truly federal and what should be included with the federal taxes and the spending, and what really better to go back to where it used to be as a state and local responsibility.

Mr. LANKFORD. And with that, my time has expired.

Mr. GARRETT. The gentleman yields back.

Mr. LANKFORD. I yield back.

Mr. GARRETT. Time has expired. Mr. Huffman, recognized for five minutes.

Mr. HUFFMAN. I yield my time to the gentleman from Oregon.

Mr. BLUMENAUER. Thank you very much, Mr. Huffman. I appreciate your courtesy. I want to go back, if I could, for a moment, Ms. Kavinoky, just the notion here that we go back to 1956, and we are just putting these federal monies on a few major arterials, as opposed to what my friend, Mr. Lankford, points out, that we have been looking more holistically in recent years in terms of making sure that there is a mixture in the works that deals with mass transit, which gives people choices, increases capacity. What happens in terms of our looking at the connections in terms of intermodalism. There was an "I" in the Intermodalism Transportation Surface Efficiency Act in 1991 which recognized that just throwing money in to a freeway did not help when goods need to move in a seamless fashion. There are connections between aviation, marine, rail; between local connections and interstate and arterial. Can you focus for a moment for us on whether or not there is a broader range of activities here that needs to be integrated for a transportation system to work?

Ms. KAVINOKY. Let me try and tie your questions together, if I may, because one of the things MAP-21 did was substantially eliminate the requirement that states spend dollars on things that we think are on lower national priority. Safe Routes to School is not a required program. It is not required that a state choose to spend money, with all due respect, on bike paths over fixing a bridge. But the states now have a planning process that they have to follow that will be tied to performance which we think is very important; performance around things like mobility, performance around things like freight mobility. And so it is incumbent, in fact, upon the states and the metropolitan planning organizations to establish their priorities and make those decisions within a framework of saying it is not just about an interstate, or it is not a binary choice between spending something on highways or transit. They are supposed to plan, and we believe, through Map-21 oversight, we will see that they are doing this. Businesses are much more involved now in the planning process than ever before. They are supposed to plan for mobility. They are supposed to plan for a system.

So I go back to so that we could solve a Highway Trust Fund accounting problem by saying let's substantially narrow and tell a state, "You can only spend this money on the interstate system." I do not think that is what they are asking us for.

Mr. BLUMENAUER. You know, I agree with much of what you say, but to my friend, I would just note that there is a role for the federal government to establish policies. Highway safety is one of them. But for what the federal government did mandating things like seatbelts, every county in New Jersey could have mandated seatbelts. The federal government put forth a priority on safety, and I commend Secretary LaHood for zeroing in on it. It is a scandal in most of America right now the status of the condition for pedestrians and school children. You may not think State Routes to School is a high national priority. I invite you to come with me in North Carolina, in Nevada, in Iowa. I will hear it this weekend in Rochester, New York, where people look at the disproportionate number of people who are killed in pedestrian and bike accidents,

and look at how little federal money flows in terms of that allocation. And they think, you know, maybe there is a national priority.

I think there is, in fact, a national priority surrounding things like safe cycling, safe pedestrian activity, and having transit available to people. A hundred years ago we had public-private partnerships that had unprecedented mass transit available. You could go from Boston to Chicago on street cars that, I think, there was like a 12-mile gap. Communities were served with choices for people. Those choices went away because we put almost everything into the highway and the individual automobile. And I think this is a very important conversation for us to have about what federal policies look like, and how much money we put, and, yes, giving choices to people that set standards that meet the economic and safety needs of our community. Thank you.

Mr. GARRETT. The gentleman yields back, and the gentleman recognizes that the federal regulators and federal legislators are more caring and more compassionate than the state regulators.

Mr. BLUMENAUER. That, of course, is not what I said. I said they could have done it, and they did not.

Mr. GARRETT. Exactly. Yield now for five minutes to Mr. Rice. Then to Mr. Williams.

Mr. WILLIAMS. Thank you. I am in the transit business. I have been in the automobile business for 42 years, my family 73 years, so I am very interested in making sure we move people and product around our country. And also I do believe the federal government has a huge role in infrastructure. A couple questions real quick to you, Mr. Poole. What percent of tax do you think we should pay if we do not go 18.4 cents?

Mr. POOLE. I have not tried to do any calculation on that because the political prospects of increasing the federal tax seems so low, I have decided it is more productive to focus on researching the mileage-based user fee approach.

Mr. WILLIAMS. Right. CAFE standards, of course, we know are going up; what affect do you think if we lowered the CAFE standards that would do?

Mr. POOLE. That would give a lot more breathing room for the federal fuel taxes.

Mr. BLUMENAUER. Harder to breathe.

Mr. WILLIAMS. I am certain.

Mr. POOLE. Seriously, that would make a significant difference. The decline that is projected, and the amount of dollars available would be significantly eased. Yes.

Mr. WILLIAMS. Going back to original intent, what do you think that would do? That would have a big increase, too.

Mr. POOLE. Well, there is plenty of money projected by CBO over the next 10 years to fully fund the existing highway program, and if you narrow the scope to, as I suggested, to interstate-type quarters, you could basically double the amount of spending that is currently projected.

Mr. WILLIAMS. So if you go back to original intent, that answers a huge part of the problem.

Mr. POOLE. In my view, yes. It does put a much bigger burden on the states and localities, but I will point out the states have been much more successful in the years since ICE-T in raising

their own highway user taxes. There has been no increase in the federal level. More than half of the states have made significant increases. Florida has indexed its fuel tax. So the states have shown they have a better chance of doing this.

Mr. WILLIAMS. I am from Texas.

Mr. POOLE. Well, yeah, right, right. Texas has done a great job.

Mr. WILLIAMS. Okay, but expanding the users so that everybody should pay something, I mean, that is something we need to take a look at, too, because where the 18.4 cents is carrying the load.

Mr. POOLE. Yes, yes. No, I think the user pay model is what we should be strengthening.

Mr. WILLIAMS. It is kind of like taxes. Everybody should pay something.

Mr. POOLE. Everybody should pay something, I agree.

Mr. WILLIAMS. Got it. The other thing is, too, when you talk about the variable-based mileage fee, I was sitting here listening to how does it work and so forth. I am interested, what would it cost? The problem you have got is, is when we are raising the CAFE standard, it is projected when it gets to 53 miles a gallon, 7 million people are going to be taken off the road. They will not be able to afford a car because it will be so expensive. So we could have the same problem if we go to a variable mileage fee. What is going to make that happen? What is that going to do to the price of vehicle?

Mr. POOLE. Well, I do not think it is going to much affect the price of the vehicle. It will affect when and where people use their vehicles. I mean, if you have a 15 cent a mile variable charge on the freeway at rush hour, some people are going to decide to car-pool who otherwise would not. Some people would use bus rapid transit in priced lane.

Mr. WILLIAMS. But we do not know how it is going to work.

Mr. POOLE. We do not know yet. No.

Mr. WILLIAMS. It is a theory right now, and that is all it is?

Mr. POOLE. And that is why we need more research, more experimentation and pilot programs.

Mr. WILLIAMS. All right. Janet, you mentioned that you had done a study in the chamber, the 2015 to 200, 2020 to 2025. Did I understand you say from '15 to '20 it is a tax increase?

Ms. KAVINOKY. So we are looking in three phases. Have to solve the 2015 cash flow problem from the trust fund.

Mr. WILLIAMS. What is that tax increase?

Ms. KAVINOKY. We still believe we still need to calculate that, but I would refer you to the most recent Simpson-Bowles. It says 11 to 12 cents would be what was needed in that year to solve the problem, but what I would like to do is calculate that for you specifically and get back to you.

Mr. WILLIAMS. So taxes would be 30 cents?

Ms. KAVINOKY. Yes. Taxes would have to increase to fix the trust fund problem in 2015, or we will have to transfer general funds. Not a real popular discussion, I understand, to have here, but they do not pay me to have popular discussions.

Mr. WILLIAMS. All right. And then '20 to '25, that is still what we would do in that period of time?

Ms. KAVINOKY. I think it is possible that in the 2015 to 2024, so before we get to 2025, that user fees, current taxes, or some combination of other revenues, and I actually brought with me a small stack of the research that gives you the funding options, would be the option we are looking at. Until we can, as Bob has said, as Rick has said, look at some of these others research options.

Mr. WILLIAMS. So it is still in the works?

Ms. KAVINOKY. It is still in the works.

Mr. WILLIAMS. Well I appreciate your-all's comments, and I yield back.

Mr. GARRETT. Gentleman yields back for Mr. Jeffries. Oh, wait. No, Bill came in. Gentleman from New Jersey is next.

Mr. PASCRELL. Thank you, Mr. Chairman. Mr. Chairman, I would like permission to enter into the record a statement from the American Counsel of Engineering Companies with your permission.

Mr. GARRETT. Without objection, so ordered.

Mr. PASCRELL. The Chairman, I understand that we have a budget committee, and we are that, and we need to ensure that we are responsible with the public's funds. However, for a decade, I served as a member of the House Transportation Committee. Serving on that committee, I sat for hearing after hearing about how our nation's infrastructure is not keeping up with our growth, and we are falling behind competitors from across the globe. I heard from too many witnesses about how congestion is costing families and businesses time and money. I heard from too many witnesses about how our roads are crumbling and our bridges falling down, literally. And we know that federal investment in construction equals jobs for unemployed Americans. Analysts have estimated that for every \$1 billion invested in transportation as many as 35,000 people get jobs.

It is our jobs, as elected representatives, to find solutions for these problems. Congress used to be able to renew our federal transportation program in a bipartisan way. When I got on the Transportation Committee, Chairman and Ranking Member said to me very clearly, "Look, this is one committee where we are going to work together, we are going to fight and argue, but we are going to come in this together." Whatever happened, Mr. Chairman, to that feeling of working together on these issues that are prioritized? Too many short-term extensions followed by a modestly-sized reauthorization. We had to fight like hell to get a two-year extension on the highway bill, transportation bill. Ensuring solvency for the trust fund is a key component. Admitting our transportation challenges while patches in the budget for general revenues are desperately needed. It is a dereliction of our duty to allow our transportation systems to flounder. And this happening in many states in the union where they have their own transportation funds that are depleted.

So who takes care of this stuff? Janet, the trust fund needs new resources and revenue. Every option needs to be on the table. I am telling this Committee, and I continue to tell my brothers and sisters on the Committee that we need to find the resources to meet the challenges of our nation.

Now I would like to ask Ms. Kavinoky this question. Does the Chamber of Commerce have a position on the legislation which

deals with this, supposedly deals with this, HR 1065, the so-called State Act? Do you have a position on that bill which would place much of the burden on the states rather than the federal government? Even in partnership, let me use that would partnership. Good word today. What is your position on that?

Ms. KAVINOKY. Congressman, we have not looked specifically at that legislation but I am somewhat familiar with it, and as I referred to in both my written statement and my oral statement, the Chamber does not believe that leaving the states and the localities to handle transportation problems is going to serve the mobility needs of the country. I certainly do not disagree that there are things we can do to take the burdens off of them, to provide states with the kind of flexibility that they need, and to make sure that every federal dollar stretches farther, but we still believe there is a strong federal role in both policy and investment in transportation.

Mr. PASCRELL. Mr. Chairman, when you put forth this legislation, the State Act, I thought it was very interesting, and it reminded me of our debates back in the New Jersey Assembly many moons ago, when we both served together.

Mr. GARRETT. I remember those days. Fond memories.

Mr. PASCRELL. Fond memories. I have really great memories, Mr. Chairman. You said in the statement that our children and our grandchildren's future must put an end to Washington bailouts.

Mr. GARRETT. Okay.

Mr. PASCRELL. Do you believe that the trust fund is a bailout of our transportation needs in this country?

Mr. GARRETT. What I was saying was that up until 2008 or 2009, my constituents and yours had to come down to Washington and literally beg us, as congressional representatives, to get our own New Jersey dollars back, and I said that should not be the case. They should not have to beg us to gather the money because the people are paying every day in your district and my district at the pump.

Mr. PASCRELL. Well, you know, Mr. Chairman, we certainly pay our fair share of taxes in the state of New Jersey.

Mr. GARRETT. And so we should keep it.

Mr. PASCRELL. But the point of the matter is this is one nation. We are not talking about alcoves, we are talking about one nation of 50 states. In fact, President Eisenhower, whom I admire, he put the interstate transportation system basically together, spent money.

Mr. GARRETT. And to the best of my knowledge, that interstate system has been completed.

Mr. PASCRELL. But it needs to be repaired. It needs to be maintained. Bridges go over, you know, tunnels go under it. There is a whole lot of changes that have occurred, Mr. Chairman. And I respect what you are doing on this. I do not agree with anything in the bill, but I understand that we have got to find some other ways. We got to find some other ways that we are going to address the trust fund. And we have to do the same thing in New Jersey, do not we? We cannot face the trust fund. The governor of the state does not want to deal with having to possibly raise gas taxes, you know? This is what we used to do. So what you are suggesting, as

I understand it, you are suggesting that, in conclusion, you are suggesting that what we do is get the states to take on more of a burden by giving them the opportunity to name the projects if we are going to provide any dollars for them. Is that what you are suggesting?

Mr. GARRETT. I think that we are already providing that burden, now we should get the benefit. With that your time has expired. Mr. Rice, did you want to reclaim your time? Before you did not.

Mr. RICE. I would like that, yes, sir.

Mr. GARRETT. Then you are recognized.

Mr. RICE. This is more of a statement than a question. I appreciate all of you being here. You have certainly given me a lot of education. I have the great fortune of serving on this Budget Committee as well as the Transportation Infrastructure Committee, and, you know, I recognize that if we are going to be competitive worldwide, we have got to invest in infrastructure; that our competitors are doing that, and they are coming up where, at best, we are remaining stable; and that if we want to try to stem the tide of American jobs leaving our shores and start bringing some back, then we have to make ourselves more and more competitive.

And I think the public agrees with that. I think both side of the aisle agree with that. I do not think you will hear any argument there. The question is how you pay for it. And I have heard interesting observations from you guys, but whether you call it a user fee, or whether you call it a gas tax, or any other thing, it is additional taxes. It is additional revenues. You know, I do not think the public would argue with that so much normally, but now it is hard, and there is a reason that it is so hard. The reason is because we are spending now. The federal spending has increased 15 to 20 percent in the last five years. Remains well above, as a percent of GDP, historical norms, and, at the same time, the spending in most states has gone down. Certainly spending in most households has gone down. And, you know, we are sitting here spending 15 to 20 percent more, yet our Highway Trust Fund is going broke. That is why it is so hard, because the public does not understand why our budget has increased so much, and yet we are struggling to find infrastructure money. And in the face of all this, that we would seek additional revenues when our spending has increased and everybody else's has gone down. That is what makes this so difficult.

I agree that spending on infrastructure is not spending, per se, it is an investment. And that we have to invest limited dollars wisely, but I submit to you that we have plenty of money, it is just we are prioritizing how we spend it differently than I would if it was my choice. That we could find money from other places to fund this, and that this absolutely should have priority because it has such a huge effect on our overall economy, such a huge effect on our worldwide competitiveness, such a huge effect on jobs. And I think the public would agree with that, and I think that they would fight very hard against any additional fees, or revenues, or taxes, or whatever you want to call it in the face of our excessive spending across the board, which is what this Budget Committee is about, and which is why I think the work on this Committee is the most important, work being done in Congress right now. Thank

you again for being here. Sorry I did not have any questions or observations, but you have truly taught me a lot, and I appreciate it.

Mr. GARRETT. Thank you. The gentleman yields back. Mr. Jeffries is recognized for five minutes.

Mr. JEFFRIES. Thank you, Mr. Chairman.

Mr. GARRETT. Sure.

Mr. JEFFRIES. Mr. Poole, the suggestion that you have put forth that we, as a federal government, should walk away from any contributions to state or city mass transportation systems, perhaps consistent with original intent, as another member of the Committee has put it, is that grounded in a belief that the federal government should not engage in the business of mass transportation, or is it just grounded in a solvency concern related to the trust fund?

Mr. POOLE. Near term it is grounded more in the solvency concern, but longer term, I mean, it really does reflect my view of federalism, that a the big challenge with the federal government being overextended is to sort out for the future, not in one day or one year, but over a period of time, what roles properly are the things that the federal government alone can do and should do for the country, and what things are really much more properly the responsibility of state governments and urban area governments? And my strong belief, after 25 to 30 years in transportation policy, is that local metro areas, transit is very important, but it ought to be their responsibility to decide the types and amount of spending, and what to invest it in on urban transit.

Mr. JEFFRIES. Would you agree that robust urban transit systems reduce highway congestion?

Mr. POOLE. To a very limited extent. I mean, most of what has been invested in these days maybe has 1 percent or 2 percent improvement in the share of people commuting by transit, as opposed to by some form of using the highways. It is not a very big bang for the buck in terms of what it costs.

Mr. JEFFRIES. Reclaiming my time. Is there a connection between a robust mass transportation system and sort of the industry and economy on an interstate level?

Mr. POOLE. Very, very little. The Brookings Institution did a study about a year ago. Looked at what percentage of a metro area's jobs can be reached within 45 minutes by using the transit system, and in the vast majority of metro areas, it is something like under 10 percent of the jobs can be reached within 45 minutes, when the average commute in America is about 25 minutes.

Mr. JEFFRIES. Do you think Wall Street is an important industry for not just the city of New York, for the state, for the country?

Mr. POOLE. Certainly.

Mr. JEFFRIES. And do you think that a robust financial services industry is a significant thing for the continued prosperity and vitality for the United States of America?

Mr. POOLE. Definitely.

Mr. JEFFRIES. And would you acknowledge that the mass transportation system that connects the city of New York with suburban New Jersey and suburban Connecticut, three states, is important?

Mr. POOLE. Critically important for that metro area, absolutely. Mass transit makes imminently good sense there, just as it does in London, Tokyo, other very huge, dense urban concentrations.

Mr. JEFFRIES. But it makes sense for the region, but as you have acknowledged, it also makes sense for the country in that context, correct?

Mr. POOLE. Well, in a roundabout way, yes, certainly.

Mr. JEFFRIES. Okay, Ms. Kavinoky. Did I pronounce that, Kavinoky?

Ms. KAVINOKY. Kavinoky, yes.

Mr. JEFFRIES. Kavinoky. Could you comment on the Chamber's view between a robust, mass transportation system, and a vital industry and economy across interstate commerce?

Ms. KAVINOKY. Certainly. You know, one of the interesting things, and, you know, Bob mentioned, yes, there have been studies that say that only a certain number of jobs are within a particular distance of transit, but businesses make choices to locate in places not just because their employees specifically can get to work on a specific transit system. It is about the vibrancy of the area, the customers that they have; it is about the quality of life that it provides, and that, in turn, grows economic prosperity. Businesses choose to locate where there are strong transportation systems, and that is not just about businesses who are choosing, "Should I locate in New York, Chicago, Bloomington?" It is about businesses saying, "Should I locate in one part of the world, or another part of the world?" So we do believe that transit is part of a transportation system that works.

In addition, if you speak with industries that are moving goods, what they will tell you is that a lot of the bottlenecks on the interstate highway system are in urban areas. We are not going to be able to build our way out of that. Now, there are tools that are available, and, you know, we can certainly talk about variable pricing and other management tools for the road network, but at some point, we are talking about what is the capacity of the transportation system? How do we unlock those different bottlenecks? And that can be a function of road capacity, of technology, but also, yes, of transit, of rail, and other modes of transportation. So we still, I suppose, and this is something that Bob and I will disagree on, is I think that transit, and transportation more holistically, belongs as part of federal transportation policy.

Mr. JEFFRIES. Thank you.

Mr. GARRETT. Thank you. Gentleman yields back. Mr. Rokita, recognized for five minutes.

Mr. ROKITA. I thank the Chair, I also thank the witnesses. Good morning. Great discussion we are having on the whole. I had to step out for about five to 10 minutes to congratulate the Teacher of the Year in Indiana, Suzanne Whitten, so a shout-out to her. I apologize with my line of questioning, might overlap as a result. First of all, I wanted to see if Mr. Geddes had anything to add to the discussion that was just happening, that started with Congressman Jeffries' line of questioning?

Do you want to—do you dare to step into that? Is that a yes or no?

Mr. GEDDES. Yeah, yes, sorry. Definitely yes. I am honored to step into the discussion. Basically the model that I utilized is, "How close can we get our funding approach to what works in the vast majority of other utilities, and other goods and services, which is a variable user fee." And I think that Bob's proposal of focusing The Highway Trust Fund on highways is moving us closer to that. I think having transit parts, we can think of other parts, we have the leaky underground storage tank fund, et cetera, is moving us away from that fundamental model, and I think that is a mistake. I think we have a model that we know works very well, and a whole set of utilities for the provision of a whole set of goods and services, and it is not perfect by any stretch, but it is the best one we have, and I think we need to move our funding and financing for transportation infrastructure in that direction, rather than away from it, and I believe that Bob's proposal would help do that.

Mr. ROKITA. Okay, thank you very much. And the following on, Mr. Kavinoky. What kind of name is that, Russian?

Ms. KAVINOKY. It is Russian and Polish.

Mr. ROKITA. Yes, okay, well, I am a member of that tribe, so I can ask questions like that, I guess. Is it that position of the U.S. Chamber, then, that people who pay a gas tax really need to be paying for the more holistic policy of mobility and transportation? Is that what you are saying?

Ms. KAVINOKY. Not necessarily so.

Mr. ROKITA. Okay, well, let's stop there.

Ms. KAVINOKY. Sure.

Mr. ROKITA. So, right, when you put gas in your car, and you are paying 18.4 cents up to uphold and maintain the highway system; that seems fair to me. And Mr. Jeffries' comments, well taken, I am glad to see that someone on his side is finally acknowledging the value of Wall Street, instead of demagoguing it, but why do I have to pay for that if there has to be a subsidy for that industry, as he used as an example; why does the person who drives a car and puts gasoline in it have to pay for that industry?

Ms. KAVINOKY. Because you are not just paying for the maintenance and upkeep of the roads, you are paying for having the performance that you need to get from one place to another.

Mr. ROKITA. So you disagree with Mr. Poole inherently and wholly that it is only about a 1 or 2 percent difference effect?

Ms. KAVINOKY. I certainly have not looked at the research that he is citing.

Mr. ROKITA. Okay, so we do not know, right?

Ms. KAVINOKY. At this point, I do not know.

Mr. ROKITA. Yeah. Let's see what else. Mr. Blumenauer asked you two to provide some research on a particular issue. Did you want to comment on that now, because he was running out of time. I forget exactly what that was, but I do not know if we want to put that on record.

Mr. POOLE. Right, it was research on the interests of local governments in investing in things like facilitating national freight movement. The good example is Los Angeles, where 40 or 50 percent of all the containers into the United States come through the ports of L.A. and Long Beach, and then have to be trucked through on the freeways and on trains.

Mr. ROKITA. So he did not find any evidence.

Mr. POOLE. Well, certainly, the Alameda Corridor is an example in Los Angeles of local self-help with some degree, a little bit of federal aid, to create a unified rail corridor to move a lot of that containers into one single corridor, to remove a lot of grade crossings, and so forth.

Mr. ROKITA. You indeed have such evidence, such research, and you will provide it?

Mr. POOLE. I will provide what I can, yes.

Mr. ROKITA. And Mr. Geddes?

Mr. GEDDES. I do not think I have much to add.

Mr. ROKITA. Here is what I would like to add to it. So this concept of devolution, where if we got the federal government out of the business of collecting all but a very small amount of the gas tax, and let each state decide what additional gas tax they want to add into that, would not we address Mr. Blumenauer's concern? Do not look at me that way. Would not we address Mr. Blumenauer's concern, which I think is a valid one, because we do need someone to look at the 30,000-foot level under national planning? Let the U.S. DOT do the planning, and let the states maintain, based on the taxes that they mostly now will collect, instead of making this money go all the way to Washington, in some judgmental fashion, come back.

Mr. GEDDES. Can I comment on that?

Mr. ROKITA. Yes, please.

Mr. GEDDES. I would strongly urge the committee to take a look at the way the freight rail system in the United States works. Freight rail, because in The American Society of Civil Engineers report that was cited for 2013, that is a quadrennial report, the sector that had the biggest improvement in grades was freight rail, which is largely based on the approach that I am suggesting of heavy, private infrastructure investment with a variable per-unit price charged to shippers. And we have freight rail systems, like take a look at CSX and their map, Union Pacific, BNSF, that crosses state lines, and they are able to optimize that system across state lines, just through proper business methods.

Mr. ROKITA. To a free market kind of principle?

Mr. GEDDES. Of course, of course.

Mr. ROKITA. Yes, and my time has expired. I yield back.

Mr. GARRETT. Gentleman yields back. Gentlelady from California. This lady is recognized for five minutes.

Ms. LEE. Good morning. I apologize for being late. So if my questions are redundant, I am sorry. But, just wanted to first thank you for being here again, and just say that, you know, our nation's highway system and public transit system, they are really key infrastructure backbones that have been critical to our nation's strength and economic growth. I think everyone agrees with that. Also, these public investments have allowed businesses and families across our nation to not only survive, but to thrive. They have created tremendous good-paying jobs with benefits.

A couple of things I wanted to ask you though, in terms of just the funding as it relates to the gas tax on low-income Americans. And I would like all three of you to answer this question if you could. In terms of low-income Americans, do they pay proportion-

ally more in gas taxes to travel to their jobs and to live their everyday lives? Do they pay more than upper-income families? And then if they do, what can we do to reduce some of this burden? And would relying on more public and private roadways that charge tolls, would that increase or decrease the burden of low-income families?

Then the second question has to do with incentives for green alternatives. Some proposals, as I understand it, would require drivers of alternative fuel cars, like electric or hybrid cars, or even simply more efficient, high-mileage cars, actually to pay more, because these drivers buy less gas, and consequently pay less in gas taxes. So what would the impact of removing incentives for getting more drivers to conserve gas, and to adopt cleaner and more efficient technologies, what impact would this have if we do raise the rates, the gas taxes, for those who drive alternative cars and try to conserve?

Mr. POOLE. Let me take a stab. On the question of equity, fuel taxes are widely seen as regressive. They take a bigger bite out of family income for low-income people than for higher-income people. Although, it goes both ways; higher-income people generally have much longer commutes, they live in nice, wealthy suburbs, and so it is not clear what the overall difference in incidence is of fuel taxes, rich versus poor, well-off versus not. The equity impacts of a mileage-based system are still being studied, and it is not really clear how that would work. Again, it depends partly on the commuting patterns that people have, where the jobs are versus where people live, and, you know, how far the average distance is. To the extent that that system would be variable prices in urban areas to deal with traffic congestion, it would certainly provide incentives for more use of transit, and more carpooling to share those costs, and though that would probably, as is today, that would tend to skew toward more lower-income people than high-income people.

The impact on green cars, mileage-based user fees, there is a trade-off there. What we are seeing is that what you have to look at is there is a whole bunch of policy tools that government has to deal with energy efficiency and reduced greenhouse gases, and so forth. But CAFE standards, which are, you know, going to double the required fuel economy for new vehicles by 2025, are the most powerful tool the federal government currently is using, and those would be unaffected by a shift to mileage-based user fees. It would probably hasten the transition of people away from fossil fuel powered cars in any event, so it is a question of, "Do you need to still have an incentive in the price of the motive power, you know, the source of propulsion, because we already have CAFE standards and other kinds of environmental standards." It is not clear. I think it is kind of overkill, and then we do not need to build into the mileage-based fee some kind of a green component because we already are phasing out fossil fuels thanks to the CAFE standards, and that problem will go away over time.

And Oregon, I must say, is one of the pioneer states in looking at charging a mileage-based fee initially to electrical vehicle drivers, because they are not currently paying virtually anything to support the costs of the road system, but they are taking up the same amount of space on it as drivers of gas-powered cars.

Mr. GEDDES. Thank you, Ms. Lee, for the great questions, and this is an issue that is still being worked out, and it is a very important issue. I would just add a few things to what Bob said, which I largely agree with, is that lower-income folks do not use cars as much as folks in the higher end of the income distribution. Tend to use buses, rapid transit more, and I believe that the proposals that we have suggested today would, by pricing road use, you will get more use of those other alternative forms of transit, which will improve those. I think that that would be a benefit to folks at the lower end of the income distribution.

Mr. GARRETT. I will cut you off there, Mr. Geddes. We have got to get on to the next question, your time has expired.

Mr. GEDDES. Okay.

Mr. GARRETT. Thank you very much. Mr. Woodall is recognized for five minutes.

Mr. WOODALL. Thank you, Mr. Chairman, and I appreciate the gentlemen from Oregon's encouraging this hearing to be held. I think about what Mr. Pascrell said, that during his time that this transportation used to be a bipartisan, cooperative issue, and it is not now. And I go back to one of your opening statements, Mr. Poole, where you made the statement that as The Highway Trust Fund has lost its focus, it has lost public support. I do not know about the school districts that Mr. Blumenauer was referring to earlier, but I walked the school every day of my elementary school life, unless I was riding my new huffy bike that Santa Claus brought one of those years. And when an intersection got to be too busy, the community got together and we put in a traffic light there and crosswalks, and when it still was too busy, we brought in a crossing guard, and the community had this need and this concern, and the community solved these things.

I find when I am working on these issues back home, it does not much matter whether I am working with a Democrat, an Independent, or a Libertarian, or Republican, we are talking about somebody's kids and somebody's family, and we can come together to do those, but as we elevate what that principle should be, past my city, past my county, past my state, all the way to Washington, D.C., we do begin to lose that focus.

What is that national interest now? Ms. Kavinoky, I know you expressed some concerns about devolving some of these responsibilities to the states. I have my biggest county Chamber of Commerce. In fact, this county's bigger than a congressional district, Gwinnett County is here today, and we are going to talk transportation. I have no doubt the first word out of their mouth is going to be, "We need to devolve these things back to the local level for all of the reasons that Mr. Lankford referenced, and Mr. Poole referenced, and Mr. Geddes referenced, and that is that we have problems today, and you folks in Washington are not solving these problems today, and if you let us do it, we would do it for less, and get it done faster, and we would start that process today." But that is not what you are hearing from your member companies.

Ms. KAVINOKY. It is not what I am hearing from my member companies. Certainly not what I heard from the Metro Atlanta Chamber this morning, and I am curious, and this would be an interesting dialogue for you and I to have, on why nine out of 12 dis-

tricts in Georgia rejected the T-SPLOST proposals, given that that was a way to substantially step up investment in transportation? What I hear from companies in Georgia, from companies across the country, is “We still need to maintain that interconnected system, and that we still need federal assistance in doing so, even if we are going to take those funds and we are going to leverage them to get funds raised at our own levels.”

Mr. WOODALL. I think that unquestionably true. It fascinates me up here in this part of the world because it is not this way down in Georgia. If I drive I-95 from suburban Washington down to Richmond, I am paralleling U.S. 1. U.S. 1 is never more than two miles away, an entire drive from Washington to Richmond, and yet we are funding both of those cars. I would tell you we have a national interest in maintaining I-95, but not a national interest in maintaining U.S. 1. That is now a local Virginia concern. I drive north to Baltimore. I have U.S. Interstate 95 on one hand. I have the Baltimore-Washington Federal Parkway on the other hand. They are never separated by more than five miles, and yet I have U.S.1 running right through the middle of those from here to Baltimore. I would tell you we do not have a national interest in maintaining three corridors on that same 50-mile stretch. Perhaps we have a national interest in maintaining to it, and that is what my local folks would suggest.

One thing they have on their mind, though, is we have a new toll system down there, a toll system that the prices go up during heavy traffic, down during light traffic. You can go free if you are in a carpool. Otherwise, you have pay. I am glad to hear that no one is in favor of putting a GPS system in my car that is tracking where I am going and what I am doing. My constituents would be pleased to hear that was universally rejected today. What about a unified national toll standard? Gentleman from Oregon talked about the merits of setting a federal standard. I think there are three competing toll standards out there today. What about that opportunity to, in an effort to bill people for what they use, having a standardized toll system that allows me to be billed in that way?

Mr. POOLE. You know, I think that critically important, and the toll industry has an Alliance for Toll Interoperability that is working on that. They have pile-up projects setting up clearinghouse to exchange information, including with state departments and motor vehicles. This is coming; federal government can encourage the continued work that is going on already on that with, you know, a little more research money and that sort of thing. But that is definitely going to be here. Within probably five years, we will have some form of national interoperability, and that makes it more practical to do things like financing the replacement and modernization of the existing interstates with a 21st century version that could be financed in this way through toll finance.

Mr. WOODALL. I thank you all for this discussion.

Mr. GARRETT. Gentlemen’s time has expired. Now recognize Ms. Lujan Grisham from New Mexico for five minutes.

Ms. LUJAN Grisham. Thank you, Mr. Chairman, and I, too, appreciate this discussion, because having critical investments and having as a priority, both publicly and privately, transportation infrastructure certainly is not something new, and making sure that

we can continue those investments in the future. I am reminded that in December of '82, when Reagan was president, the unemployment rate was 10.8 percent, interest rates were about 20 percent, deficits were skyrocketing, country was definitely in a recession, and even in that tough economic time, the president understood that it was essential to invest in infrastructure. And when they signed the Surface Transportation Assistance Act, among other things, he pointed out that we could now, as part of our heritage, weave a network of highways and mass transit that has enabled our commerce to thrive, our country to grow, and our people to roam freely and easily to every corner of the land.

And as a county commissioner, this exact discussion about what we do with a critical federal highway, in much-needed repair and expansion, that is critical to our business corridor, and local bodies of government do not typically get involved, certainly not the county. City road, federal issues, state issues, that is the partnership, and we did the cost-shifting debate because of the economic realities for far too long, so now the project is much more expensive, and so, as a county commissioner, I said, "The county should put money in." If you want people to put money in, then step up and figure it out. So we did that, and it spurred, then, the entire investment. All right, state put in their money, the city put in their money, we put in our money to the highest degree that we could, and the feds put in money. Now the fed part was less than 10 percent, so the notion that there is all that money coming from here, I think we need to be clear about that. And when we talk about shifting to states, I think we should be clear that we have. And we are shifting in all kinds of ways. And when we made that critical decision, which was supported by business, of course, we did not buy fire trucks, and ambulances, and we did not provide safety net investments, and we did not take care of other critical road or mass transit projects, so I want to go back to this shifting to the states and to other entities. What other kind of gaps do you foresee as we are asking states and other folks to step up in an environment where they cannot? And I will do that for Ms. Kavinoky.

Ms. KAVINOKY. Okay, sorry. I think that we are seeing very consistently what you are seeing, that states and localities are already stepping up, and, in fact, they are providing a greater and greater portion of the revenues that are needed, that ultimately could be leveraged through public-private partnerships, or that could be used in other ways. If the federal government walks away, if we say we are not going to fix the Highway Trust Fund problem, we are not going to fill the hole that is coming, we will simply sort of de facto devolve to the states more, that just puts more burden on the laps of the states and of the localities to come up with even more money.

I am not hearing, as I travel around the country, an ability to continue going at it alone, but I also, and I bring this back to where I started in terms of the federal role, there is still a federal role, there is a national interest in investing in our economy, in keeping the country together, in policy priorities, and if we are going to advance the national interest of the country, that has to come with some of that investment. Although I think that we will increasingly see states and locals stepping up, and we should con-

tinue encouraging that, we should continue encouraging them to leverage those limited dollars as far as they can, that does not mean that we should solve our transportation funding problem at the federal level by simply saying, "We are not going to deal with revenue."

Ms. LUJAN Grisham. And I appreciate that, because then we are just going to cost-shift other priorities back to the feds, and we just keep this circular environment without having effective partnerships for effective priorities. With that, I would like to balance the remainder of my time, Mr. Chairman, to Mr. Blumenauer.

Mr. GARRETT. Recognized.

Mr. BLUMENAUER. Thank you, I appreciate the gentlelady's courtesy. Two observations, one about marginal impact of transit. During the L.A. transit strike in 2003, congestion increased 89 percent. It has a huge impact, not just in communities like L.A., and Chicago, and New York, but in Oklahoma City, Salt Lake, as you mentioned, this is part of that fundamental infrastructure; also, the railroad investment that you are referring to, part of that has been a significant uptake in federal money that went to the railroads, and I would take modest exception of the notion that the Alameda Corridor is mostly just local money. We have that huge federal investment in that, and a number of us on the Transportation Committee worked with Southern California to make that rail connection work because it was not cost effective for them, but it made a difference for Chicago and points in between. Thank you.

Mr. GARRETT. Gentleman's time has expired. Mr. Nunnelee from Mississippi is recognized for five minutes.

Mr. NUNNELEE. There we go, thank you Mr. Chairman. I want to thank the Chairman and the staff for putting this meeting together. I do not think we get to do nearly enough of this, to talk about big ideas, and I want to take up where Mr. Rokita left off. He was talking Mr. Kavinsky about this concept of, men and women when they go to fill up with gasoline or diesel, and the idea that, yes, they are paying for the roads they drive on, but also, it is the Chamber's position that they pay for part of the mass transit as part of an overall transportation policy. I want to look at it from a little different angle. What is the Chamber's thought on mass transit? When an individual goes to work, they buy ticket, they are paying for part of their cost of transportation, the taxpayers and their local and state are helping subsidize, and the taxpayers that are buying gasoline and diesel are paying part. What percent does the Chamber think is right for the people that are buying gasoline and diesel to pay for the overall total transportation? Is it 50 percent, 20 percent? How much should the mass transit passenger pay for their own transportation, and how much should be subsidized by people that are buying gas and diesel?

Ms. KAVINOKY. You know, that is not something that is codified in chamber policy, to the best of my knowledge. I have been around for a little while. What I would point out is, for road users, they are also not paying the full cost of their roads. In fact, in most states, general sales taxes, general taxation, state and local bond issues are also part of those roads. So there is a degree of subsidy across all of the transportation networks. The Chamber has been supportive of continuing the 2.86 cents of the 18.4 cents of the gas-

oline tax that has gone to transit. But we, as I noted in my oral testimony, we are taking a very close look for the future funding of transportation at all of the possible revenue options for surface transportation. And so although I acknowledge that, in the past, we have focused on that 2.86 cents out of gasoline taxes, and then complimenting that with general funds, certainly, again, according to the Commission that Dr. Geddes was on, and others, we may need to look at diversifying those options.

Mr. NUNNELEE. All right. And then by extension, bicycle users, and, again, I support those people that ride bikes to work or for pleasure, but as I see it, outside of being general taxpayers and helping pay for what they utilize, they do not pay anything to bypass the roads that they are using on. Has the Chamber taken a position that should bicycle users pay residual costs for the infrastructure that they are using?

Ms. KAVINOKY. You know, again, we have not taken a position, but I can certainly say that in the discussions we have started having with our members, we have begun saying, "Well, if you are using a road, or if you are using a bike path, or if you are using the rails for transit, you know, we ought to consider the different forms of revenue that may come to that to support investments." So, I think that is an open question for us.

Mr. NUNNELEE. And then just maybe wrap it up for the other two members. If we were to go back to the original intent of the Highway Trust Fund, what impact would that have on the future of that fund?

Mr. GEDDES. My understanding of the original funding approach under President Eisenhower for using a per-gallon fuel tax was that it was as close to a toll as he could get without, in those days, physically having to stop traffic to throw money into a basket, which would have defeated the whole purpose of a high-speed limited access system of highways. So President Eisenhower saw the next best thing as charging a per-gallon gas tax. So I think moving back to that, sir, your question is about the funding, and I think it would be funded the way electricity is funded, the way natural gas is funded, the way other utilities, I believe, are successfully funded through per-unit fees. And I am almost certain that we would get a lot more funding into our transportation system if we did it that way.

Mr. POOLE. Let me just add, in my written testimony, I show the numbers that currently the interstate system, state and federal government is spending about \$20 billion a year on. If the Highway Trust Fund were devoted exclusively to the interstates, the \$40 billion would be twice the amount currently being spent on interstates, which would certainly provide a way to start the aggressive reconstruction and modernization of the interstates. So I am not saying, necessarily, that we should do that, but that is how the numbers work out.

Mr. GARRETT. Gentleman's time has expired.

Mr. NUNNELEE. Thank you, Mr. Chairman.

Mr. GARRETT. I want to thank the ranking member, all the members, and especially the witnesses for an enlightening exchange of information; this is one of our better hearings. I thank you all, and this hearing is adjourned.

[Additional submissions of Hon. Reid J. Ribble, a Representative in Congress from the State of Wisconsin, follow:]

April 24, 2013.

Hon. PAUL RYAN, *Chairman*; Hon. CHRIS VAN HOLLEN, *Ranking Member*,
Committee on the Budget, U.S. House of Representatives Washington, DC 20515.

DEAR CHAIRMAN RYAN AND RANKING MEMBER VAN HOLLEN: We are writing in regards to the House Budget Committee hearing, "State of the Highway Trust Fund: Long-Term Solutions for Solvency." The undersigned organizations urge Congress and the Administration to address the very serious financial situation of the Highway Trust Fund (HTF).

Remarkable progress was made in 2012 through Moving Ahead for Progress in the 21st Century (MAP-21) to reform and streamline the federal highway and transit programs while providing stable funding through fiscal year 2014. Unfortunately MAP-21 did not provide for the long-term financial stability of the HTF. As a result, according to the Congressional Budget Office, the HTF will completely exhaust its cash balance sometime in Fiscal Year 2015, necessitating steep cuts in highway and transit spending unless new revenues are provided. If Congress were to maintain the Federal surface transportation program investment at current levels, and the Highway Trust Fund would need an additional \$150 billion in revenue through 2024.

As Congressional leaders and the Administration debate a fiscal path for 2014 and beyond, we urge the inclusion of stabilizing the HTF as part of that discussion. The Administration's budget proposal and the budget resolutions in the House of Representatives and Senate assume full funding for HTF programs in fiscal year 2014 and recognize the funding challenges following the expiration of MAP-21, with the Administration and Senate providing a reserve fund that allows for increased transportation spending. It is disappointing that none of the budgets offers an adequate proposal to address the long-term structural problems of the HTF. We recognize the economic and budgetary challenges our country faces; however, by returning the HTF to a user-supported revenue system with predictable, sustainable and growing revenue sources, Congress and the Administration could reduce budget deficits by approximately \$150 billion during the period from 2015-2024, or about \$15 billion per year.

The federal government has a fundamental role to play in investing in the nation's highway and transit system to serve passenger travel, interstate commerce and national defense. Unlike most other government programs, the HTF programs historically have been funded entirely by fuel taxes and truck fees paid by those who use and benefit from our national highway system. However, the user fees, which were last increased in 1993, continue to be insufficient to meet the Nation's needs. We hope Senators and Representatives will make a distinction between general taxes and user fees paid by the direct beneficiaries of the program in considering solutions to the HTF funding crisis.

A long-term solution to the HTF's revenue challenge would boost the economy while reducing the deficit. Putting the HTF on sound financial footing is not only fiscally responsible, but the combination of this new stability with MAP-21's policy reforms would maximize the impact of federal surface transportation investments to facilitate economic growth and job creation.

We encourage the Administration and members of Congress in both parties to work together on this matter, explore all options, build a consensus, and then take

decisive action to address the financial future of the HTF. Our organizations stand together to support you in that effort.

Sincerely,

ASSOCIATED GENERAL CONTRACTORS OF AMERICA;
 AMERICAN TRUCKING ASSOCIATIONS;
 AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS
 AMERICAN ROAD AND TRANSPORTATION BUILDERS;
 AGRICULTURAL & FOOD TRANSPORTERS CONFERENCE AMERICAN ASSOCIATION
 OF EXPORTERS AND IMPORTERS AMERICAN CONCRETE PAVEMENT ASSOCIATION;
 AMERICAN COUNCIL OF ENGINEERING COMPANIES AMERICAN HIGHWAYS USERS
 ALLIANCE AMERICAN MOVING & STORAGE ASSOCIATION AMERICAN PUBLIC
 TRANSPORTATION ASSOCIATION AMERICAN SOCIETY OF CIVIL ENGINEERS;
 AMERICAN TRAFFIC SAFETY SERVICES ASSOCIATION ASSOCIATED EQUIPMENT
 DISTRIBUTORS ASSOCIATED EQUIPMENT MANUFACTURERS BUILDING AMERICA'S
 FUTURE;
 CONCRETE REINFORCING STEEL INSTITUTE;
 INSTITUTE OF MAKERS OF EXPLOSIVES;
 INTERNATIONAL WAREHOUSING & LOGISTICS ASSOCIATION NATIONAL ASPHALT
 PAVEMENT ASSOCIATION;
 NATIONAL PRIVATE TRUCK COUNCIL NATIONAL RETAIL FEDERATION;
 NATIONAL INDUSTRIAL TRANSPORTATION LEAGUE NATIONAL STONE, SAND &
 GRAVEL ADMINISTRATION NATIONAL TANK TRUCK CARRIERS;
 OWNER-OPERATOR INDEPENDENT DRIVERS ASSOCIATION PORTLAND CEMENT
 ASSOCIATION;
 NATIONAL READY MIXED CONCRETE ASSOCIATION SSAB AMERICAS;
 STEEL MANUFACTURERS ASSOCIATION TRANSPORTATION INTERMEDIARIES
 ASSOCIATION.

NEW STUDY EXAMINES FUEL EFFICIENCY IMPACT ON GAS TAX RECEIPTS,
 PROJECTS \$365 BILLION HIGHWAY FUND SHORTFALL

WASHINGTON, DC.—As automobile fuel economy increases, the federal highway program's fiscal position will become ever more precarious, a new study by researchers at the College of William and Mary finds.

The team from William and Mary's Thomas Jefferson Program in Public Policy (TJPPP) forecasts that over the next 23 years, as Corporate Average Fuel Economy (CAFE) standards rise, gasoline consumption will decline. This will lead to a drop in gas tax payments to the federal Highway Trust Fund (HTF), the highway program's primary funding source. Failing to change the existing tax structure while maintaining current investment will cause the HTF's account to incur a \$365.5 billion deficit over the next 23 years, the study concludes.

The highway program is already in dire straits. Although it has been self-sustaining for many years thanks to the gas tax and other user fees, declining revenues have made transfers from the general budget necessary to prevent road and bridge spending cuts. Myriad studies have shown that merely maintaining current spending is insufficient to build the infrastructure our growing economy needs. One report by the Texas Transportation Institute found that traffic congestion, resulting in large part from inadequate capacity, costs the country more than \$100 billion per year in wasted time and fuel.

"HTF revenues are inadequate to support today's road and bridge spending levels, which are already well below what's needed to maintain the interstate system's performance," said Christian Klein, vice president of government affairs for Associated Equipment Distributors (AED), which sponsored the research. "As part of the broader tax and budget reform debate, Congress needs to do something bold to put the program back on solid fiscal footing."

The William and Mary study offers a few possible solutions. The gas tax was last increased—to 18.4 cents per gallon—in 1993. The research team determined that restoring the gas tax's 1993 spending power by raising it to 25 cents and indexing it for future inflation would raise \$167 billion above current baseline spending requirements over the next two decades. The study also examined ways to implement a vehicle mileage-based user fee.

"We hope Congress will take these findings to heart and act quickly to identify new revenue streams for the road program," AED President & CEO Toby Mack said. "Highways are the arteries of commerce and the arteries are clogged. The longer lawmakers wait to tackle the problem, the worse it'll get and the harder it'll be to fix."

The full report is available at <http://www.aednet.org/government/pdf/2013/WM-HTF-Report.pdf>.

NATIONAL ASSOCIATION OF MANUFACTURERS,
April 24, 2013.

Hon. PAUL RYAN, *Chairman*; Hon. CHRIS VAN HOLLEN, *Ranking Member*,
Committee on the Budget, U.S. House of Representatives Washington, DC 20515.

DEAR CHAIRMAN RYAN AND RANKING MEMBER VAN HOLLEN: 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. Today's hearing is an important step in the process of returning the federal Highway Trust Fund (HTF) to an improved condition of solvency and long-term sustainability. The Congressional Budget Office (CBO) anticipates the HTF will run a negative balance at some point in Fiscal Year 2015. Congress must soon begin to secure the financial health of the main funding mechanism for the nation's highway and transit systems.

Significant shifts in driving patterns and improved automobile fuel economy standards over the past decade have contributed to declining HTF revenues. These trends will continue, and unfortunately the fuel tax has not kept pace with these changes. In addition, the cost of construction materials and services has increased over time due to inflation and other market conditions. The result has been diminished purchasing power for each construction dollar dedicated to federal transportation investments. Nearly 20 years has passed since Congress has increased the fuel tax, a basic user fee paid by those who drive on the nation's highways.

In spite of these significant challenges, the motor fuel tax for gas and diesel remains the foundation for all of our current and future federal highway and transit investments. While new models, strategies and financing options need to be more seriously evaluated by Congress, manufacturers believe the Highway Trust Fund continues to offer a reliable source of funding to states for roads, bridges and transit systems.

Investing in infrastructure and ensuring the long-term sustainability of the Highway Trust Fund move in tandem with the goals of economic growth and doubling the nation's export capacity. Thank you for providing a forum for a discussion of this important issue to manufacturers.

Sincerely,

ROBYN M. BOERSTLING, *Director*,
Transportation & Infrastructure Policy.

April 24, 2013.

Hon. PAUL RYAN, *Chairman*; Hon. CHRIS VAN HOLLEN, *Ranking Member*,
Committee on the Budget, U.S. House of Representatives Washington, DC 20515.

DEAR CHAIRMAN RYAN AND RANKING MEMBER VAN HOLLEN: On behalf of the membership of the National Stone, Sand & Gravel Association, thank you for holding the hearing titled State of the Highway Trust Fund: Long-Term Solutions for Solvency. NSSGA supports all efforts to find a viable, long-term solution to the pending insolvency facing the Highway Trust Fund, and we commend you for addressing this matter in the public forum it deserves.

Attached is a draft statement for the record of the hearing. Thank you in advance for the opportunity to comment on an issue of utmost importance to NSSGA members.

Please do not hesitate to contact me with any questions.

Sincerely,

PAMELA J. WHITTED, *Senior Vice President*,
Legislative & Regulatory Affairs, National Stone, Sand & Gravel Association.

Enclosure.

PREPARED STATEMENT OF THE NATIONAL STONE, SAND & GRAVEL ASSOCIATION

With the passage of the most recent surface transportation law, Moving Ahead for Progress in the 21st Century Act (MAP-21), in July 2012, highway and transit investment was stabilized for two years by supplementing the Highway Trust Fund (HTF) with general fund transfers and non-transportation revenue sources. MAP-21 was delayed by over 1,000 days from the expiration of the previous highway bill, SAFETEA-LU, in September 2009—largely because HTF revenue could no longer maintain the minimum needed for federal highway and transit investment.

Although we appreciate the historic and much needed program reforms contained in MAP-21, unfortunately Congress did not adequately address the revenue shortfall. As a result the HTF again is facing bankruptcy by the expiration of MAP-21 at the end of fiscal year 2014. This means that in 17 months Congress again will be forced to choose between implementing a long-term HTF revenue solution, mas-

sive investment cuts that will eliminate hundreds of thousands of jobs, or further bailouts.

NSSGA supports passage of a surface transportation reauthorization bill that returns to the six-year term, which provides the multi-year certainty necessary for state departments of transportation—and the businesses and workforces they depend upon—to execute their priority projects. The aggregates industry is a capital intensive industry. Our members require certainty for efficient and cost-effective allocation of human and financial resources.

According to the Congressional Budget Office's official cost estimate for MAP-21, the HTF would need an additional \$76 billion, over and above existing user fee revenues, just to fund a six-year bill (FY 2015 to FY 2020) at MAP-21 levels. (The total includes \$52 billion for Highway Account and \$24 billion for Mass Transit Account.)

The solvency of the HTF must be addressed and secured, and it is imperative that Congress select or combine any number of innovative funding mechanisms—new or otherwise. Whether it is an increase in the gas user fee, which has not been raised since 1993; a move to a system based on vehicle-miles traveled; linking increased energy production with surface transportation funding; or a combination of these and other ideas, NSSGA supports full consideration of all.

Two independent, bipartisan commissions authorized in the 2005 surface transportation law, SAFETEA-LU, the National Surface Transportation Policy and Revenue Study Commission and the National Surface Transportation Infrastructure Financing Commission, arrived at the same conclusion. In the short-term, these commissions recommended increasing the gas user fee and transitioning to a vehicle-miles-traveled user fee over the long-term. Additionally, they evaluated the pros and cons of a host of other possible fundraising solutions.

Historically, the short-fall in the surface transportation funding has been dealt with in the context of broad fiscal reform, which has been proposed and implemented by Republicans and Democrats alike. In 1990, Congress and President George H. W. Bush raised the motor fuels user fee by five cents, with half going to the HTF and half to deficit reduction. Three years later, Congress and President Bill Clinton again raised the user fee in a 1993 tax/deficit reduction package that allocated a 4.3 cents per gallon increase to deficit reduction and redirected the 1990 2.5 cents deficit reduction component to the HTF. Finally, the 1993 4.3 cents per gallon user fee increase was then shifted from deficit reduction to the HTF in a 1997 tax bill, which provided the revenue foundation for the 1998 surface transportation reauthorization.

Investment in transportation assets has been and continues to be a cornerstone of the American economy and, indeed, our national way of life. Underinvesting in this basic foundation of our economy leads to increased traffic congestion and the loss of jobs—not only of those who construct transportation systems, but also of those whose goods and services depend on those systems. We must invest in rebuilding and improving our transportation infrastructure to ensure that we adequately maintain these systems for years to come.

Ultimately, a well-maintained system of roads, bridges, mass transit, aviation, and rail provides Americans' freedom of mobility, a treasured American value that allows them to go where they want, when they want. It allows them to purchase goods at affordable prices brought to market by the fastest and most efficient means.

America has an infrastructure deficit. American investment in maintenance and expansion of its transportation infrastructure has not kept up with demand and as a result our nation faces stiff competition from Asian and European nations. America's surface transportation system that used to be the envy of the world is now ranked 25th by the World Economic Forum. It is not an overstatement to suggest that without an immediate and significant investment in our transportation infrastructure the United States economy will cease to compete globally and will be on par with other third world nations. This crisis is ripe for leadership from Congress and further delay is not only costly but dangerous.

Based near the nation's capital, NSSGA is the world's largest mining association by product volume. Its member companies represent more than 90% of the crushed stone and 70% of the sand and gravel consumed annually in the U.S. and employ 107,800 working men and women.

Stone, sand, and gravel—aggregates—are a base construction material essential to the built environment. The sale of natural aggregates generates nearly \$40 billion annually for the U.S. economy. During 2012, nearly two billion metric tons of aggregates—valued at roughly \$17 billion—were produced and sold in the U.S. The materials are used in nearly all residential, commercial and industrial building and in most public works projects, such as: roads, highways, bridges, railroad beds, dams, airports, water and sewage treatment plants and tunnels.

There are more than 10,000 construction aggregates operations nationwide. Almost every congressional district is home to a crushed stone, sand or gravel operation. Proximity to market is critical due to high transportation costs, so 70% of our nation's counties include an aggregates operation. Approximately 70% of NSSGA member companies are considered small businesses. While the American public pays little attention to these raw natural materials, they go into the manufacture of asphalt, concrete, glass, paper, paint, pharmaceuticals, cosmetics, chewing gum, household cleaners and many other consumer goods.

NSSGA welcomes the opportunity to submit comments on this important issue and supports your efforts to find a solution to the pending insolvency of the Highway Trust Fund. Doing so now will lay the foundation for a more advanced surface transportation network that will undoubtedly spur the American economy for decades to come.

PORTLAND CEMENT ASSOCIATION (PCA),
April 24, 2013.

Hon. PAUL RYAN, *Chairman*; Hon. CHRIS VAN HOLLEN, *Ranking Member*,
Committee on the Budget, U.S. House of Representatives Washington, DC 20515.

DEAR CHAIRMAN RYAN AND RANKING MEMBER VAN HOLLEN: Thank you for holding this hearing on the "State of the Highway Trust Fund: Long-term Solutions for Solvency." The Portland Cement Association (PCA) takes great interest in our nation's infrastructure and the solvency of the Highway Trust Fund. On behalf of the PCA, I wish to share the views of the U.S. cement manufacturing industry.

Our nation's infrastructure is falling behind. The inefficiencies of our transportation network raise costs, making basic goods more expensive and adding new challenges to U.S. businesses struggling to stay atop a highly competitive international marketplace. This does not even touch on the quality of life issues associated, for example, with long work-related commutes.

PCA believes the U.S. should be spending more on our infrastructure, but realizes this is not a universally held view. Whatever your view, most everyone agrees that we have to be smart about how we build, especially when it comes to our roads. Building smarter and doing so in a fiscally responsible manner, should be a key focus of identifying ways to improve the long-term solvency of the Highway Trust Fund. It is essential that transportation departments properly consider durability and examine the long-term maintenance costs of pavement options.

There is room for improvement when it comes to project decision-making and properly accounting for long-term costs of our roadways. MAP-21 tasked the U.S. Government Accountability Office (GAO) with preparing a report on the "best practices for calculating lifecycle costs and benefits for federally funded highway projects." Expected to be completed in July, this report will hopefully help improve the planning process so that limited dollars go farther and are spent wiser.

Should you have any questions or need more information, please feel free to contact me or David Hubbard. We can be reached by email or phone (gscott@cement.org, dhubbard@cement.org, or 202-408-9494).

Sincerely,

GREGORY M. SCOTT,
President and Chief Executive Officer Portland Cement Association.

[Additional submissions of Hon. Bill Pascrell, Jr., a Representative in Congress from the State of New Jersey, follow:]

American Council of Engineering Companies (Fact Sheet)

Sustainable Financing for Transportation

ISSUE

Federal investment in transportation infrastructure plays an essential role in protecting public health and safety, promoting commerce, and keeping America competitive. Tremendous headway was made in 2012 with enactment of the Moving Ahead for Progress in the 21st Century Act (MAP-21), which provided two years of funding stability for highway and transit programs while delivering much-needed reforms to streamline project delivery and focus on core national interests. These important changes are already reducing costs and bringing project benefits to the public faster.

Unfortunately, MAP-21 did not provide for the long-term financial stability of the Highway Trust Fund (HTF). According to the Congressional Budget Office, the balance of the HTF will be depleted in Fiscal Year 2015, necessitating dramatic cuts in highway and transit spending unless new revenues are provided. Absent congress-

sional action, highway program funding would fall from \$40 billion to approximately \$4 billion, while funding for transit projects would fall from \$11 billion to \$7 billion. These cuts would have a devastating impact on state and local transportation agencies and postpone critical projects to improve safety, reduce congestion and enhance mobility.

Continued 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.

Conversely, a long-term solution to the revenue challenges facing the HTF would boost the economy while also reducing the deficit. With predictable, sustainable and growing revenue sources—particularly user fees—the Highway Trust Fund will support infrastructure investments that foster economic growth in a fiscally responsible way. A wide array of options have been identified that would help to address the challenge, including increasing and indexing the current user fees, switching to a sales tax on fuel, mileage-based fees, tolling, bonding and other financing mechanisms, freight charges, and revenues from increased domestic energy production.

KEY POINTS

- Transportation infrastructure forms the basis of continued economic growth. Every dollar invested in highway construction generates up to \$8 in economic output. According to the U.S. DOT, each \$1 billion in federal highway investment supports 34,000 jobs.
- The Highway Trust Fund is on an unsustainable fiscal path. At least \$15 billion is needed in additional annual revenues in order to simply maintain current funding levels, adjusted for inflation, over the next ten years.

ACTION REQUESTED

- Protect current funding levels for federal infrastructure programs that support highways, transit, aviation, rail, ports and other transportation systems.
- Address the looming Highway Trust Fund fiscal crisis with new sources of revenue.

[Question submitted for the record by Mr. Pascrell follows:]

QUESTION SUBMITTED FOR THE RECORD BY HON. BILL PASCRELL, JR., A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

QUESTION TO MR. POOLE

Mr. Poole, I am a big believer in our nation's public transit systems and support robust federal investment in their growth. That said, one of the ways that can reduce taxpayer burden in financing our public transportation system is creating more private sector involvement and an intermodal transportation network. Do you see barriers to entry for private sector operators like the motorcoach industry in accessing federally supported transportation facilities?

[Additional submissions of Mr. Blumenauer follow:]

February 2, 2012.

Hon. DAVE CAMP, *Chairman*; Hon. Sander M. Levin, Ranking Member,
Committee on Ways and Means. 1102 Longworth House Office Building, Washington, DC 20515.

Re: Surface Transportation Finance and the Highway Trust Fund

DEAR CHAIRMAN CAMP AND RANKING MEMBER LEVIN: For the past thirty years, Congress has provided dedicated funding for highway and transit programs through an excise tax on gasoline dedicated to the Highway Trust Fund. This funding structure has successfully provided highway and transit programs with secure, dedicated revenues and budgetary firewalls dating back to the Reagan administration. The success of this approach is without question: The Trust Fund has been critical to our nation's ability to build an efficient and multimodal transportation system. With record transit ridership, now is not the time to eliminate guaranteed funding for our nation's public transportation systems, which saved Americans close to \$19 billion in congestion costs in 2009. For the first time in thirty years, the pending legislation H.R. 3864, the American Energy and Infrastructure Jobs Financing Act, removes

the certainty of a continued revenue source for our transit systems as well as the Congestion Mitigation and Air Quality Program.

Specifically, we are deeply concerned about the provisions in H.R. 3864 that would terminate funding from the excise tax on gasoline and replace it with the Alternative Transportation Account. In place of gasoline tax revenues, the legislation would provide a one-time \$40 billion transfer of General Fund revenues to the Alternative Transportation Account. Not only is this level of funding insufficient to fully fund the proposed authorized levels for the Alternative Transportation Account, but it would subject transit and CMAQ funding to the annual appropriations process. This change will make it impossible for public transit systems across the country to plan for the future. It will also make it impossible for the FTA to honor grant agreements.

In addition, this legislation does not make clear how the \$40 billion in General Fund revenues will be offset in the U.S. budget. As a result of this funding gap, we are concerned that the \$40 billion general revenue transfer may not occur leaving transit programs out in the cold.

We strongly encourage the Committee to reject H.R. 3864 and work to continue to fund highway and transit programs through dedicated funding.

Sincerely,

Michael P. Melaniphy President & CEO American Public Transportation Association
 John Robert Smith President and CEO Reconnecting America
 Joyce A. Rogers Senior Vice President, Government Affairs AARP
 Jeff Miller President/CEO Alliance for Biking & Walking
 James Corless Director Transportation for America
 Geoff Anderson President & CEO Smart Growth America
 Brian Pallasch, CAE Managing Director, Government Relations & Infrastructure Initiatives American Society of Civil Engineers
 Richard Eidlin Policy Director American Sustainable Business Council
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 Kristy Anderson Government Relations Manager American Heart Association/American Stroke Association
 Brian Shaw President Association for Commuter Transportation
 Billy Altom Executive Director Association of Programs for Rural Independent Living (APRIL)
 Marcia L Hale President Building America's Future
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[The prepared statement of the American Road and Transportation
 Builders Association (ARTBA) may be accessed at the following
 Internet address:]

http://db78bc60e308ad8dc7c2-6f6534a35fc09b927eb00e4333a7f4cf.r47.cf2.rackcdn.com/uploaded/a/0e2130933_artba-highway-trust-fund-statement.pdf

QUESTION SUBMITTED FOR THE RECORD BY HON. EARL BLUMENAUER,
 A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Context

MS. KAVINOKY

Business is looking end to end at trips. So if we are talking about supply chains, global supply chains, I talk to major retailers who say, "Look, I do not want to debate about highways or transit, I do not want to discuss what is going on in 50 different states. What I need to know is can I get my product from its point of origin to its shelves, and how efficient that is."

One of the things that we have done at the Chamber is created something called the Transportation Performance Index that measures, among other things, mobility. And we are looking at the system as a whole. We are looking at roads, rails, runways, rivers, the whole deal. Because performance is not just about mode by mode by mode; it is how they work together, it is how they complement each other, it is how they provide substitute so that you have options for transportation in terms of cost efficiency, time, the relative needs that people have. And mobility is a question that is not just an issue in urban areas.

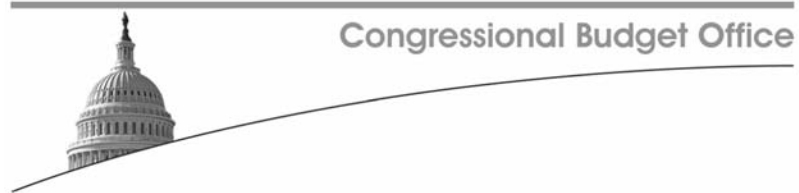
I think during the SAFETEA-LU debate we heard a lot about mobility in solving urban problems. I was in Bloomington, Illinois last week where they talked extensively about the importance of their transit system, and the fact that their transit system is something that companies like State Farm, Mitsubishi, and the universities in that area demand. And they are leveraging public dollars to invest in that system. And it is about mobility, even in that midsized area.

Question

MR. BLUMENAUER

I appreciate your referencing that. Indeed, as we get out of the metropolitan areas, mobility for the disabled, for elderly people, for young becomes even more critical. Mr. Chairman, I would ask that our colleagues who are talking about the potential of devolving this system over time, and your reference to letting more of these decisions be made at the state and local level, I would hope that you could share with us any research you have. There is a time to elaborate in a minute, but research you have that indicates that local governments are going to be interested in making substantial investments to facilitate freight movements for the nation as opposed to speaking to complaints and problems that people have locally. They may

be able to tell you about State Highway 137, but if we are talking about that interconnectiveness, I can tell you as a former local official for 18 years responsible for transportation in Portland, they were not so much concerned about the throughput of freight, they were concerned about localized items that we tended to over invest in, and it was a struggle to have the commitment to freight and the larger issues. So if you can find some research that indicates that that system could work effectively, I would be very interested in it, because it is certainly not my experience. Thank you, Mr. Chairman.



Statement for the Record
Status of the Highway Trust Fund

Sarah Puro
Analyst for Surface Transportation Programs

For the
Committee on the Budget
U.S. House of Representatives

April 24, 2013

This document is embargoed until 10:00 a.m. (EDT) on Wednesday, April 24, 2013. The contents may not be published, transmitted, or otherwise communicated by any print, broadcast, or electronic media before that time.

Mr. Chairman, Congressman Van Hollen, and Members of the Committee, I am pleased to provide information about the Congressional Budget Office's (CBO's) projections of future spending from the Highway Trust Fund and the agency's estimates of the excise taxes that will be credited to the fund. By CBO's estimates, the revenues from the existing excise taxes will fall far short of covering the spending that would result from continuing to obligate funds in the amounts provided for 2013, adjusted for inflation.

Specifically, CBO's analysis indicates the following:

- The current trajectory of the Highway Trust Fund is unsustainable. Starting in fiscal year 2015, the trust fund will have insufficient amounts to meet all of its obligations, resulting in steadily accumulating shortfalls.
- Since 2008, the Congress has avoided such shortfalls by transferring \$41 billion from the general fund of the Treasury to the Highway Trust Fund. An additional transfer of \$12.6 billion is authorized for 2014. If lawmakers chose to continue such transfers, they would have to transfer an additional \$14 billion to prevent a projected shortfall in 2015.
- Lawmakers could also address that shortfall by substantially reducing spending for surface transportation programs, by boosting revenues, or by adopting some combination of the two. Bringing the trust fund into balance in 2015 would require cutting the authority to obligate funds in that year from about \$51 billion projected under current law to about \$4 billion, raising the taxes on motor fuels by about 10 cents per gallon, or undertaking some combination of those options.

The Highway Trust Fund

The federal government's surface transportation programs are financed mostly through the Highway Trust Fund, an accounting mechanism in the federal budget that comprises two separate accounts, one for highways and one for mass transit. Revenues credited to those accounts are derived mostly from excise taxes on gasoline and certain other motor fuels. The fund also is credited with interest on its accumulated balances.

Spending from the Highway Trust Fund is partly determined by authorization acts that provide budget

authority for highway programs, mostly in the form of contract authority.¹ How much of that contract authority can be used in a given year is governed by obligation limitations that are customarily set in annual appropriation acts. The Moving Ahead for Progress in the 21st Century (MAP-21, Public Law 112-141) is the most recent authorization for highway and transit programs. (It expires on September 30, 2014.) A total of about \$51 billion in contract authority has been provided for fiscal year 2013, and the obligation limitations for this year amount to about \$50 billion.

Most obligations for the highway and transit accounts involve capital projects that take several years to complete. (The Federal-Aid Highway program, for example, typically spends about 25 percent of its budgetary resources in the year funds are first made available for spending; the rest is spent over the next several years.) Most of the Highway Trust Fund's current obligations will therefore be met using tax revenues that have not yet been collected because the existing obligations of the fund far exceed the amounts currently in the fund. For example, at the end of 2012, the total obligated amounts of contract authority in the highway account were equal to about two years of collections of excise taxes. That amount totaled about \$67 billion at the end of 2012, and tax receipts dedicated to the highway account are projected to be about \$33 billion a year over the next two years.

Projections of Outlays and Revenues

CBO estimates that the highway account will end fiscal year 2013 with a balance of \$5 billion, compared with a \$10 billion balance at the end of fiscal year 2012 (see Table 1 and Figure 1). By CBO's estimates, outlays from the highway account will total \$44 billion in 2013, while revenues and interest earnings will amount to only \$33 billion for the year. To partly bridge that gap, MAP-21 transferred \$6 billion of general funds to the highway account in 2013.

The transit account will end fiscal year 2013 with a balance of \$3 billion, CBO estimates, down from \$5 billion a year earlier (see Figure 2). Revenues and

1. Budget authority is the authority provided by law to incur financial obligations that will result in immediate or future outlays of federal government funds. Contract authority is the authority to incur obligations in advance of appropriations.

Table 1.
Projections of Highway Trust Fund Accounts Under CBO's
February 2013 Baseline

(Billions of dollars)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|------|------|------|------|------|------|------|------|------|------|------|------|
| Highway Account | | | | | | | | | | | | |
| Start-of-Year Balance | 14 | 10 | 5 | 5 | a | a | a | a | a | a | a | a |
| Plus: Revenues and Interest ^b | 35 | 33 | 33 | 34 | 35 | 35 | 36 | 36 | 36 | 36 | 36 | 36 |
| Plus: Intragovernmental Transfers ^c | 2 | 6 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Minus: Outlays ^e | 42 | 44 | 44 | 45 | 45 | 45 | 46 | 46 | 46 | 47 | 48 | 48 |
| End-of-year balance | 10 | 5 | 5 | a | a | a | a | a | a | a | a | a |
| Cumulative shortfall ^a | n.a. | n.a. | n.a. | -6 | -16 | -26 | -35 | -46 | -56 | -68 | -79 | -92 |
| Transit Account | | | | | | | | | | | | |
| Start-of-Year Balance | 7 | 5 | 3 | a | a | a | a | a | a | a | a | a |
| Plus: Revenues and Interest ^b | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Plus: Intragovernmental Transfers ^c | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Minus: Outlays ^d | 7 | 7 | 8 | 8 | 8 | 8 | 9 | 9 | 9 | 9 | 10 | 10 |
| End-of-year balance | 5 | 3 | 2 | a | a | a | a | a | a | a | a | a |
| Cumulative shortfall ^a | n.a. | n.a. | n.a. | -1 | -5 | -8 | -12 | -16 | -20 | -25 | -29 | -34 |

Source: Congressional Budget Office.

Notes: Numbers in the table may not add up to totals because of rounding.

n.a. = not applicable.

- Under CBO's baseline projections, the highway and transit accounts of the Highway Trust Fund will have insufficient revenues to meet all obligations starting in fiscal year 2015. Under current law, the Highway Trust Fund cannot incur negative balances and has no authority to borrow additional funds. However, following the rules in the Deficit Control Act of 1985, CBO's baseline for highway spending incorporates the assumption that obligations incurred by the Highway Trust Fund will be paid in full. The cumulative shortfalls shown in this table are estimated on the basis of spending consistent with the obligation limitations contained in CBO's February 2013 baseline for highway and transit spending, which are projected by adjusting the 2013 limitations for inflation.
- Some of the taxes that are credited to the Highway Trust Fund are scheduled to expire on September 30, 2016. Those include taxes on certain heavy vehicles and tires and all but 4.3 cents of federal taxes levied on fuels. However, under the rules governing baseline projections, these estimates reflect the assumption that all of the expiring taxes credited to the fund continue to be collected.
- Sections 40201 and 40251 of Public Law 112-140, the Moving Ahead for Progress in the 21st Century Act, require certain intragovernmental transfers, mostly from the general fund of the Treasury, to the Highway Trust Fund.
- Outlays include amounts "flexed," or transferred, between the highway and transit accounts. CBO estimates that those amounts would total about \$1 billion annually.

interest earnings are projected to amount to \$5 billion in 2013, but outlays are expected to total \$7 billion.

Assuming that obligations from the fund increase from year to year at the rate of inflation, CBO projects that both the highway account and the transit account will have insufficient revenues in 2015 to meet all obligations. Under that assumption, as well as an assumption (incorporated in CBO's baseline projections) that taxes dedicated to the Highway Trust Fund are extended beyond their 2016 expiration date, the shortfall will grow steadily larger, as revenues from the excise taxes are

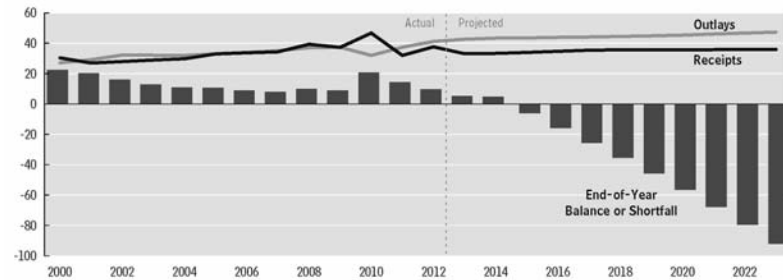
expected to grow very little in coming years. Under those conditions, the cumulative shortfalls will total about \$92 billion for the highway account and about \$34 billion for the transit account by the end of 2023, CBO projects.

Transfers from the General Fund to the Highway Trust Fund

Because the trust fund's outlays have generally outpaced its receipts since 2000, in some years lawmakers have enacted legislation to transfer money from the general

Figure 1.**Receipts, Outlays, and Balances of the Highway Trust Fund**

(Billions of dollars)



Source: Congressional Budget Office.

Note: Estimates are based on CBO's February 2013 baseline projections.

fund of the Treasury to the Highway Trust Fund. Such intragovernmental transfers allow the fund to maintain a positive balance but do not change the amount of receipts collected by the government. Since 2008, \$41 billion has been transferred, including \$6 billion in 2013; total transfers will grow to almost \$53 billion by the end of 2014 under the provisions of MAP-21. In 2015, lawmakers would need to transfer another \$14 billion to the Highway Trust Fund if they chose to continue funding surface transportation programs as they have in recent years.

Options for Addressing Projected Shortfalls in the Trust Fund

Without additional transfers of general funds, future obligations for spending on transportation programs financed through the Highway Trust Fund will need to be significantly lower than in 2013, revenues available to the trust fund will need to be significantly higher, or some combination of those options will need to be implemented.

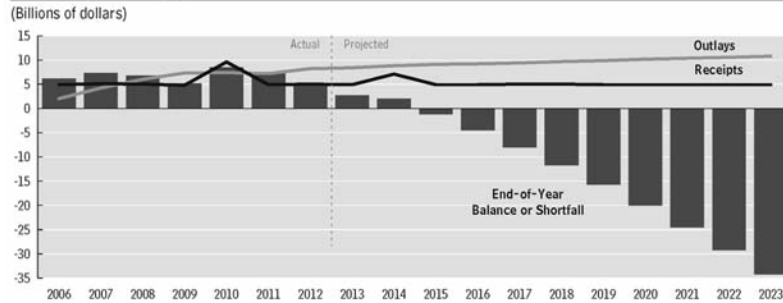
If the shortfalls were remedied solely by cutting spending, contract authority and obligation limitations for the highway account would have to be reduced by about one-quarter in 2014 and in subsequent years, compared with CBO's baseline projections. Those reductions would be about 50 percent for the transit account. If lawmakers

chose to wait until fiscal year 2015, at the expiration of MAP-21, to reduce spending, those cuts in 2015 would need to total about 92 percent for the highway account and 100 percent for the transit account.² Cuts in subsequent years would have to be about one-quarter of the amounts projected in CBO's baseline.

Another approach to bringing the trust fund's finances into balance would be to increase its revenues. Excise taxes credited to the Highway Trust Fund come primarily from an 18.4-cent-per-gallon tax on gasoline and ethanol-blended fuels and a 24.4-cent-per-gallon tax on diesel fuels. Those taxes were last increased in 1993.³ If those excise taxes had been adjusted using the consumer price index (CPI), the tax on gasoline today would be about 29 cents per gallon, and the tax on diesel fuels would be about 39 cents per gallon. In other words, the purchasing

2. Because spending that is estimated to occur each year is only partly from new spending authority, that authority would need to be reduced substantially in 2015 to ensure a sufficient reduction in spending that year.
3. The total gas tax is 18.4 cents per gallon. Of that, 18.3 cents is deposited in the Highway Trust Fund, and 0.1 cent goes to the Leaking Underground Storage Trust Fund. (The 1993 Omnibus Budget and Reconciliation Act increased the gas tax by 4.3 cents, from 14.1 cents to 18.4 cents; the added receipts were not initially deposited into the trust fund but, instead, into the general fund of the Treasury.)

Figure 2.
Receipts, Outlays, and Balances of the Transit Account



Source: Congressional Budget Office.

Note: Estimates are based on CBO's February 2013 baseline projections.

power of the excise taxes on motor fuels dedicated to the Highway Trust Fund is about 62 percent of what it was 20 years ago.

According to estimates from staff of the Joint Committee on Taxation, a one-cent increase in the taxes on motor fuels, effective October 1, 2014, would raise about \$1.5 billion annually for the trust fund over the next 10 years.⁴ If lawmakers chose to meet obligations projected for the trust fund solely by raising revenues, they would have to increase the taxes on motor fuels by about 10 cents per gallon.

Of course, many combinations of spending reductions and revenue increases are possible.

Setting Spending Levels for Future Years

In addition to limiting spending to the amount that is collected in current taxes dedicated to the trust fund or maintaining current spending, adjusted for inflation, as discussed above, a wide range of options for future

4. Because excise taxes reduce the tax base of income and payroll taxes, higher excise taxes would lead to a reduction in revenues from income taxes and payroll taxes. The estimates shown here do not reflect those reductions. Those reductions would amount to about 24 percent of the estimated increase in excise tax receipts.

spending on highways exists. The one policymakers select will influence the amount and distribution of economic benefits from the nation's network of highways and roads. For example, spending could be set to accomplish various objectives:

- Maintaining the current performance of the highway and transit system would require at least \$13 billion per year more than current spending, according to the Federal Highway Administration (FHWA), and
- Funding highway projects whose benefits exceed their costs would require even more spending than maintaining current performance—up to about \$83 billion per year more than current spending, according to FHWA. That amount depends on the extent to which benefits would be expected to exceed costs.

Of course, gaining the greatest net benefit from any increase in transportation spending would depend critically on whether or not that spending went to the most advantageous projects.⁵

5. For more information on the choices faced by policymakers, see the testimony of Joseph Kile, Assistant Director for Microeconomic Studies, Congressional Budget Office, before the Senate Committee on Finance, *The Highway Trust Fund and Paying for Highways* (May 17, 2011), www.cbo.gov/publication/41455.

MR. POOLE'S RESPONSE TO QUESTIONS SUBMITTED FOR THE RECORD

Question 1 (Rep. Bill Pascrell, Jr.): Do you see barriers to entry for private-sector operators like the motorcoach industry in accessing federally supported transportation facilities?

Answer: The motorcoach industry is an under-appreciated transportation resource for inter-city travel (and potentially for longer-distance urban transit). To the best of my knowledge there is no federal policy to ensure that airports (which receive federal AIP grants) and highways (which receive FHWA grants for projects such as HOT lanes and express toll lanes) ensure non-discriminatory access for motorcoach operators. In some cases, motorcoach providers are serving airport terminals directly, on the same basis as local transit buses, but this is not universally the case. Likewise, HOT lanes and express toll lanes on freeways almost always provide access for local transit buses at no charge, but some apparently do not permit (or

charge tolls to) motorcoach operators. Given the important role that the motorcoach industry already plays in inter-city passenger transportation, and the role that it could play in providing regional express bus service in large metro areas, federally supported airports and highways should provide equal access for motorcoaches and public-sector buses.

Question 2 (Rep. Earl Blumenauer): Please share research showing that [state and] local governments are going to be interested in making substantial investments to facilitate freight movements for the nation as opposed to problems that people have locally.

Answer: In our current funding system, most goods-movement projects make use of some mix of local, state, and federal funding. But I see increasing willingness of state and local governments to initiate and significantly fund goods-movement projects with national benefits. Here are some examples from the past decade.

Alameda Corridor: This \$2.4 billion project was proposed by the Los Angeles County MTA and funded with a combination of local and state resources plus a federal loan that was repaid early. It replaced several rail lines between the ports and downtown Los Angeles with a multi-railroad trench, eliminating numerous grade crossings and thereby speeding the movement of container trains as well as local roadway traffic. The largest single component of its funding was \$1.16 billion in revenue bonds, being repaid by railroad user fees. Another \$400 million was from a U.S. DOT loan, and \$412 million from the Ports of Long Beach and Los Angeles. LACMTA put in \$347 million, portions of which came from various state and federal programs.

US 460, Virginia: This project is under way by Virginia DOT as a \$1.4 billion non-profit public-private partnership. It is providing a toll road to link the ports at Hampton Roads to I-95 at Petersburg and on to Richmond. Although the toll road will serve cars as well as trucks, its primary purpose is to facilitate the movement of trucks serving the port terminals.

Port of Miami Tunnel: Under a \$1 billion public-private partnership, Florida DOT along with the City of Miami and Miami-Dade County are well along on a tunnel to provide a direct connection between the Port and the region's Interstate highways. In addition, the Port and Florida East Coast Railway are upgrading rail access to the Port. FDOT and the Port have committed to funding channel deepening to 50 feet, to ensure that this project proceeds whether or not Congress provides federal funding.

CREATE Program: This \$3.2 billion program aims to unsnarl freight rail, passenger rail, and roadways in the Chicago area, via 70 projects. As of May 2013, 17 of the projects have been completed, 12 more are under construction, and 19 are in detailed planning, with the remaining 22 still seeking funding. Thus far, funding has come from railroads, the City of Chicago, the State of Illinois, and the federal government, but the project was initiated and is being carried out as a local public-private partnership.

These are a few of many examples. A common theme is that these projects provide national freight-movement benefits while also addressing local problems.

[Whereupon, at 11:50 a.m., the Committee was adjourned.]

