HOW THE FINANCIAL STATUS OF THE HIGHWAY TRUST FUND IMPACTS SURFACE TRANSPORTATION PROGRAMS

(113–31)

HEARING

BEFORE THE

SUBCOMMITTEE ON
HIGHWAYS AND TRANSIT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

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Washington, DC 20515

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July 19, 2013

SUMMARY OF SUBJECT MATTER

TO:	Members, Subcommittee on Highways and Transit
FROM:	Staff, Subcommittee on Highways and Transit
RE:	Subcommittee Hearing on "How the Financial Status of the Highway Trust Fund Impacts Surface Transportation Programs"

PURPOSE

The Subcommittee on Highways and Transit will meet on Tuesday, July 23, 2013, at 10:00 a.m. in 2167 Rayburn House Office Building to receive testimony related to the current financial status of the Highway Trust Fund (HTF) and its impact on federal surface transportation programs. The Committee will hear from the Congressional Budget Office and the U.S. Department of Transportation (DOT).

BACKGROUND

Federal Surface Transportation Programs

Federal surface transportation programs – highway, transit, and highway safety programs – are administered by DOT in partnership with states, public transit agencies, and localities. While DOT provides financial and technical assistance, the partners are tasked with carrying out the programs on a day-to-day basis.

The federal surface transportation programs are user-fee funded through federal excise taxes levied on motor fuels and on various highway-related products such as tires and heavy trucks. In general, fuel taxes comprise approximately 90 percent of HTF net revenue (not including interest and other income). Revenues from all of these taxes are deposited into the HTF and may be used only for eligible surface transportation projects and activities.

History of the HTF

When the HTF was established in 1956, the excise tax rates for fuels were 3 cents per gallon. Since then the tax rate and structure have been revised several times.

The *Surface Transportation Assistance Act of 1982* (P.L. 97-424) increased the tax rates from 4 cents per gallon to 9 cents per gallon and established separate Highway and Mass Transit Accounts within the HTF. As a result, 1 cent out of every 9 cents per gallon collected was deposited into the Mass Transit Account moving forward.

The *Superfund Amendments and Reauthorization Act of 1986* (P.L. 99-499) raised the fuel tax rates by 0.1 cent per gallon to 9.1 cents per gallon of gasoline and 15.1 cents per gallon of diesel and deposited the revenues generated from that increase into the newly established Leaking Underground Storage Tank Trust Fund. The *Omnibus Budget Reconciliation Act of 1990* (1990 Budget Act) (P.L. 101-508) allowed the 0.1 increase to lapse on September 30, 1996.

The *Omnibus Budget Reconciliation Act of 1990* (OBRA 1990) (P.L. 101-508) raised the fuel tax rates by 5 cents per gallon to 14.1 cents per gallon of gasoline and 20.1 cents per gallon of diesel. For the first time, a portion of the taxes, 2.5 cents per gallon, was put into the General Fund of the U.S. Treasury for deficit reduction.

The *Omnibus Budget Reconciliation Act of 1993* (OBRA 1993) (P.L. 103-66) raised fuel tax rates by another 4.3 cents per gallon to 18.4 cents per gallon and deposited all the receipts from that increase into the General Fund for deficit reduction. OBRA 1993 also transferred the 2.5 cents gasoline tax that was dedicated for deficit reduction from the General Fund to the HTF beginning on October 1, 1995.

The *Taxpayer Relief Act of 1997* (P.L. 105-34) redirected the receipts from the 4.3 cents per gallon rate hike back to the HTF (80 percent to the Highway Account, and 20 percent to the Mass Transit Account). The Act also reinstated the 0.1 cent per gallon fuel taxes for the Leaking Underground Storage Tank Trust Fund that lapsed on September 30, 1996.

Currently, of the 18.4 cents per gallon tax on gasoline, 15.44 cents is deposited into the Highway Account, 2.86 cents is deposited into the Mass Transit Account, and 0.1 cent is deposited into the Leaking Underground Storage Tank Trust Fund. Of the 24.4 cents per gallon federal excise tax on diesel, 21.44 cents is deposited into the Highway Account, 2.86 cents is deposited into the Mass Transit Account, and 0.1 cent is deposited into the Leaking Underground Storage Tank Trust Fund.

Highway Trust Fund Taxes

Motor Fuel Taxes				
		Distribution of the Tax within HTF		
	Tax Rate (cents per gallon)	Highway Account	Transit Account	Leaking Underground Storage Tank Trust Fund
Gasoline	18.4	15.44	2.86	0.1
Diesel	24.4	21.44	2.86	0.1
Other Taxes – All revenue deposited into the Highway Account				
Tires	Tax is imposed on tires sold by manufacturers, producers, or importers at the rate of $0.0945 for each 10 pounds of the maximum rated load capacity over 3,500 pounds.			
Truck and trailer sales	12 percent of retailer's sale price for tractors and trucks over 33,000 pounds gross vehicle weight (GVW) and trailers over 26,000 pounds GVW. The tax applies to parts and accessories sold in connection with the vehicle sale.			
Heavy vehicle use	Annual tax: Trucks 55,000-75,000 pounds GVW, $100 plus $22 for each 1,000 pounds (or fraction thereof) in excess of 55,000 Trucks over 75,000 pounds GVW, $550			

Recent Authorization Bills and Extensions

When Congress passed the *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU) (P.L. 109-59) in 2005, the unexpended balance in the HTF and projected economic growth was supposed to sustain the federal surface transportation programs through fiscal year 2009. However, the economic downturn combined with more fuel efficient vehicles and lower vehicle miles traveled sped up the decline in the HTF balance.

In fall 2008, the cash balances of the Highway Account were insufficient to operate the HTF. As a result, Congress passed H.R. 6532, which transferred $8 billion from the General Fund to the HTF. Between SAFETEA-LU and the next long-term highway reauthorization, Congress passed nine extensions and transferred approximately $27 billion from the General Fund to the HTF in order to maintain its solvency.

On July 6, 2012, *Moving Ahead for Progress in the 21st Century Act* (MAP-21) (P.L. 112-141) was enacted and reauthorized federal surface transportation programs through September 30, 2014. MAP-21 preserved the direct link between investment in transportation programs and revenues coming into the HTF. MAP-21 included approximately $19 billion in General Fund transfers to maintain the solvency of the HTF through fiscal year 2014. These transfers are fully offset and do not add to the deficit.

In total, between fiscal year 2008 and fiscal year 2014, Congress has transferred approximately $54 billion from the General Fund to maintain the solvency of the HTF.

Current Status of the HTF

In fiscal year 2012, the Highway Account's revenue was $37.6 billion and the Transit Account's revenue was $5.0 billion for a total of $42.6 billion, while expenditures totaled $49.3 billion, according to the most recent full-fiscal year data available from the DOT.

In fiscal year 2015, the Highway Account's revenue is projected to be $33.8 billion and the Transit Account's revenue is projected to be $4.9 billion for a total of $38.7 billion, while expenditures are projected to total $53.2 billion, according to Congressional Budget Office (CBO) estimates. In fiscal year 2015, CBO estimates that the HTF will have a cash shortfall of $8.7 billion. This projected cash shortfall will grow in subsequent years if left unaddressed, with CBO estimating that the HTF will face a cash deficit of $132.6 billion in fiscal year 2023.

If the shortfall goes unaddressed, the DOT may need to take steps, such as rationing reimbursements, to maintain a prudent balance in the HTF prior to fiscal year 2015. In addition, absent additional revenue, funding for federal surface transportation programs will be cut dramatically in fiscal year 2015 and reduced to a lesser degree in subsequent years in order to maintain the solvency of the HTF over the course of the 10-year baseline.

WITNESS LIST

Mr. Kim P. Cawley
Unit Chief, Natural and Physical Resources Cost Estimates Unit
Congressional Budget Office

The Honorable Polly Trottenberg
Under Secretary for Policy
U.S. Department of Transportation

HOW THE FINANCIAL STATUS OF THE HIGHWAY TRUST FUND IMPACTS SURFACE TRANSPORTATION PROGRAMS

TUESDAY, JULY 23, 2013

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 10:00 a.m., in Room 2167, Rayburn House Office Building, Hon. Thomas E. Petri (Chairman of the subcommittee) presiding.

Mr. PETRI. The subcommittee will come to order. Today's hearing will focus on the financial status of the Highway Trust Fund and discuss the impact its pending insolvency will have on our surface transportation programs. Federal highway transit and highway safety programs are administered by the U.S. Department of Transportation in partnership with States, public transit agencies and with localities.

While the U.S. Department of Transportation provides financial and technical assistance, the grantees are responsible for implementing the programs on a day-to-day basis. Federal share of the programs are funded almost entirely from user fees collected and deposited into the Highway Trust Fund. When the Highway Trust Fund was established in 1956, the excise tax rates for fuel were 3 cents per gallon. Since then, the tax rate and structure have been revised several times.

Currently, the tax rate of 18.4 cents per gallon is levied on gasoline and 24.4 cents a gallon on diesel fuel. Fuel taxes represent approximately 90 percent of net revenue into the trust fund, but other sources include taxes on tires and heavy trucks.

A separate mass transit account within the Highway Trust Fund was created in 1982, which receives a portion of the fuel taxes collected. In 2008, for the first time, the Highway Trust Fund had insufficient revenues and cash balances to meet its obligations. As a result, the Congress authorized an $8 billion cash infusion from the general fund of the Treasury into the Highway Trust Fund. By the end of 2014, a total of $54 billion will have been transferred from the general fund into the Highway Trust Fund to maintain its solvency. This includes an $18.8 billion transfer authorized by Congress last year in MAP–21.

As the purchasing power of the Federal fuel taxes continues to decline year to year and vehicles become more fuel efficient, current spending levels will continue to outpace the money collected from fuel taxes. Over time, the gap will only widen. MAP–21 is set to expire on September 30th, 2014, and current projections show that the trust fund will, once again, become insolvent and unable to meet its obligation starting in budget year 2015. Without changes in spending levels or additional revenue, the trust fund will continue to be unable to meet its obligations over the 10-year budget window.

Today, the committee will receive testimony from the Congressional Budget Office outlining the financial status of the Highway Trust Fund and its pending insolvency. In addition, we will hear how the U.S. Department of Transportation and its partners would be impacted if and when the Highway Trust Fund can no longer meet its commitments. Many of our Members were not in Congress when previous funding shortfalls were addressed, and it is important that all of us understand the fiscal reality we face and the measures this department will need to take. So I look forward to hearing from our witnesses and call on the ranking member of the full committee, Mr. Rahall of West Virginia, for his statement.

Mr. RAHALL. Thank you, Mr. Chairman. I appreciate your calling today's hearing. The sobering testimony that our witnesses have already submitted should be a wakeup call for Congress and the administration to step up to address the looming crisis in highway and transit financing. MAP–21 provided 2 years of relatively flat funding. While this gave State departments of transportation some assurances to move forward with projects, it simply did not allow the investments necessary to maintain our infrastructure, let alone build what we need to compete in the global economy. Yet even this insufficient amount of investment is significantly greater than what the Highway Trust Fund can sustain.

This hearing makes clear that in fiscal year 2015, the Highway Trust Fund will go off a cliff. Stopping this crisis facing the Highway Trust Fund will require action and difficult choices to address this shortfall. While Washington has avoided the difficult choices, many States have not. States are increasingly coming up with their own plans for raising additional transportation revenues. Over the legislative years 2010 through 2013, seven States enacted significant transportation revenue raising measures. This includes a diverse group of States taking steps to increase transportation and infrastructure investment by generating additional revenue from a variety of sources.

For instance, in February this year, Wyoming raised its tax on gas and diesel fuels by a whopping 10 cents per gallon, from 14 cents to 24 cents, and this is a fairly conservative State, as we all know.

Maryland's $4.4 billion 6-year package enacted this past March includes indexing the gas tax to inflation and adding a 3-percent sales tax paid at the pump. Prior to enactment, the State motor fuel gas was 23.5 cents per gallon for gasoline. It is estimated that under the package, that rate may rise to 43.7 cents per gallon by fiscal year 2017. And Virginia's $3.5 billion 5-year package enacted this past April completely eliminated the State cents per mile gas tax and adds a wholesale tax on gasoline and diesel fuel.

Each of these States was confronted with different challenges, yet each stepped up to begin addressing their infrastructure investment deficits and made the hard choices on how best to do that.

But the message we should take from this is not that the States can take care of their situation on their own. Yes, the States must and are stepping up, but as we on this committee know very well, there is a significant Federal role necessary in surface transportation. Unfortunately, over the past several years, we have neglected our responsibilities in this regard. That concludes my opening statement.

I thank you for having this hearing again, Mr. Chairman.

Mr. PETRI. Thank you. I now recognize the chairman of the full committee, Mr. Shuster.

Mr. SHUSTER. I thank the chairman, thank you for holding this hearing and thank the witnesses for being here today. The chairman and the ranking member certainly laid out the landscape that we have to—we have to face, and there is a problem. I think we all know that. We have got to find solutions to it. Money is not the only solution. It certainly is a big part of it, but also, we have to continue to make sure we are streamlining, getting these projects moving faster. Instead of a major project taking 15 years, we need to be able to work to cut that time in half. That significant savings and inflation savings alone, you would save on some of these massive projects millions and millions of dollars.

So, again, we need to continue to streamline. I know that MAP–21 was passed last year. I don't believe they have implemented all the streamlining that we put into MAP–21. I think that is going to be of some assistance, but again, we have got to figure out how to fund it. We need to consider all the—all the sources we possibly can in the ways we have done it in the past and new ways. I know that several Members have come up with innovative ideas that we need to take a look at. I don't know that they solve the entire problem, but they certainly add a tool to the toolbox to help us with this significant challenge that we face.

And as the ranking member pointed out, there are a number of States that are addressing this. I don't know if he mentioned Arkansas, but Arkansas, the citizens of Arkansas, 81 percent, I was told, 81 percent of the citizens of Arkansas voted to increase their sales tax by half a percent dedicated to funding, so that the people of Arkansas, I think the people of States all across this country know that we have a problem. It is the—it is the veins that carry commerce, the blood life, the blood of commerce is on those highways and byways and bridges, and we need to make sure that we continue to make the improvements and increase the capacity where necessary so that we can continue to be competitive in the world and create jobs.

This is about jobs. Not just the jobs, certainly if we build a significant road project, there are jobs, but I am talking about the jobs that come after that, the 10-, the 20-, the 30-year jobs that are created by the efficiencies and that come about by having a first-class, world-class transportation system. So I look forward to working with all my colleagues and all of you here today listening in. It is going to take a big effort, not just by us on the committee and Congress, but a grassroots effort across America, making sure the

American people, like the folks in Arkansas, obviously, came to the conclusion that something has to be done. But I look forward to working with all of you and the stakeholders to make sure that message gets out, make sure the American people are pounding on our doors saying we have a problem, we have to face it, and we have to find a solution to solve it.

So again, thank you, Mr. Chairman, for having this hearing and thank our witnesses again.

Mr. PETRI. Thank you. And I thank our panel for the written statements that were submitted and would invite you to summarize them in approximately 5 minutes. Our witnesses today are Mr. Kim P. Cawley, who is chief, natural and physical resources cost estimates unit of the Congressional Budget Office, and the Honorable Polly Trottenberg, Under Secretary for Policy of the U.S. Department of Transportation. Welcome to both of you, and Mr. Cawley, would you like to begin?

TESTIMONY OF KIM P. CAWLEY, CHIEF, NATURAL AND PHYSICAL RESOURCES COST ESTIMATES UNIT, CONGRESSIONAL BUDGET OFFICE; AND HON. POLLY TROTTENBERG, UNDER SECRETARY FOR POLICY, U.S. DEPARTMENT OF TRANSPORTATION

Mr. CAWLEY. Thank you, Mr. Chairman, members of the subcommittee. I appreciate the invitation to testify on the Congressional Budget Office's projections for the Highway Trust Fund.

Mr. SHUSTER. Will you bring your mic closer. Thank you.

Mr. CAWLEY. The authority to obligate new funds from the trust fund expires at the end of fiscal 2014, and the authority to collect most of the taxes dedicated to the trust fund expires in 2016. But all of CBO's projections assume that laws are enacted to enable the current trends and trust fund spending in revenues to continue. Specifically, CBO's projections assume that spending authority continues after 2014 at roughly $50 billion per year and grows at the rate of anticipated inflation and that revenues continue to be collected at current rates after 2016 yielding about $40 billion a year.

I think those two amounts, Fifty billion dollars in spending and forty billion dollars in receipts, illustrate why continuing on the current path of trust fund spending and revenues is unsustainable. CBO's projections indicate that in 2015, the trust fund will have insufficient amounts to meet all of its obligations. That means that at some point in 2015, the Department of Transportation will be unable to reimburse States for all of the Federal highway and mass transit expenses that they have already incurred.

How States will respond to that situation is really unknown. They might patiently wait to be reimbursed by the Federal Government, or they might slow down their construction and maintenance programs, or they could even accelerate their spending in an attempt to receive reimbursements earlier than other States. It is clear, however, that without some change in policy, there won't be enough money to go around.

This is not a new situation. The Congress has faced this problem before. For over a decade, trust fund spending has outpaced revenues. In the past, to avoid any shortfalls in making reimbursements to the States, the Congress has authorized nearly $55 billion to be transferred from general fund for the Treasury to the Highway Trust Fund over the 2008 to 2014 period.

This morning I tried not to repeat every number in my written statement, but I would like to conclude by focusing on just three more figures that illustrate the size of the problem that Congress faces when MAP–21 expires if the trust fund is going to avoid the shortfall that we have been discussing.

To avoid the projected shortfall we see in 2015, the Congress could eliminate all highway and mass transit spending in 2015 or raise the tax on motor fuels by about 10 cents per gallon, or transfer about $15 billion from the general fund to the Highway Trust Fund. Of course, those three measures to control trust fund balances could be used in any combination as well. The additional measures needed to maintain adequate balances in the trust fund beyond 2015 are outlined in my written statement, and I would like to stop here and would be happy to answer any questions about CBO's trust fund projections.

Mr. PETRI. Thank you.

Ms. Trottenberg.

Ms. TROTTENBERG. Thank you, Chairman Petri, Chairman Shuster, Ranking Member Rahall, members of the subcommittee, thank you for the opportunity to appear before you today on behalf of the Obama administration and Secretary Anthony Foxx to discuss the future of the Highway Trust Fund.

As the chairman noted, for nearly five decades, we had a very successful model for funding transportation that served the Nation well, but in recent years, the number of trends have converged such that the authorized spending levels have greatly outpaced available funds. As the chairman mentioned, since 2008, we have relied on periodic infusions of general funds to cover program needs, and at times, the trust fund has come perilously close to insolvency. I think we can all agree, in the transportation community across the country right now, there is an agreement that a more permanent solution is needed.

There has been, as many of you know, a long tradition of bipartisan agreement when it comes to transportation and revenue issues. In 1982, Congress, working with then-President Reagan, raised the gas tax to 9 cents per gallon and dedicated a portion of those revenues to fund mass transit. In 1990 and 1993, Congress, working respectively with President George H.W. Bush and President Bill Clinton, raised the gas tax to its current level of 18.4 cents, with much of the initial increase going for deficit reduction. After that, the gas tax has not been raised again for 20 years.

In late fiscal year 2008, the Department, for the first time, announced that there is insufficient cash in the Highway Trust Fund to fully cover payments due to States. The Federal Highway Administration ceased the practice that it had at that time of paying twice daily bills to State DOTs and moved to paying them weekly. Then-Transportation Secretary Mary Peters asked Congress for additional funds to restore solvency of the trust fund, and Congress subsequently transferred $8 billion in general funds.

While this resolved the immediate shortfall, it did not resolve the long-term structural deficit. And as we heard here by the year 2014, the Highway Trust Fund will be nearly depleted again and

Congress will have transferred, over the course of the recent years, $54 billion in general funds to keep the program afloat.

Two fundamental shifts have occurred that are projected to continue the shortfall for the foreseeable future. First, the Obama administration is proud of our accomplishments in raising CAFE standards, but those improvements in fuel efficiency, 10 percent over the last 24 years for light-duty vehicles have reduced contributions to the trust fund. Second, per capita vehicle miles traveled, which increased by large percentages for decades in the United States, peaked in 2005 and have been falling ever since, particularly as the millennial generation and baby boomers are driving less.

In addition, highway and transit construction, labor, and material costs have increased by around 70 percent from 1993 to 2013. So as we mentioned here, by the end of fiscal year 2014, DOT estimates that the highway and mass transit account cash balances will be $4.6 billion and $300 million respectively, and we will once again be facing a shortfall.

Although the exact response would be depending on the specific situation, in the case of a shortfall, the Federal Highway Administration would implement established cash management procedures, Federal Highways would only be able to cover some fraction of State DOT reimbursement requests, and that would clearly affect States' abilities to invest in infrastructure, including critical, safety, and state-of-good-repair projects. Likewise, the Federal Transit Administration would have to implement cash management procedures that would slow down payments to grantees in order to stretch out the available cash on hand. Many of the Federal Transit Administration's 1,300 rural transit providers would be especially devastated by a shortfall in funding.

The administration has consistently supported infrastructure investment, including the President's $50 billion "fix-it-first" initiative to create jobs for economic investment and rebuild our transportation network. The administration is also leveraging hundreds of millions of dollars of private investment through our TIGER, TIFIA, RIFF, and private activity bond programs. But we are also focused on how we can bring more productivity and efficiency out of our existing system and continue to perform—improve its performance at current spending levels.

We are working to streamline project delivery, as the chairman mentioned, program management, and make better use of collaboration, integration, technology, and operational improvements. Ultimately, we know that any resources provided to the Highway Trust Fund are paid for by the American people, and we owe them the best value we can deliver for those tax dollars.

Over the past 5 years, a variety of solutions have been proposed to address the long-term use of our surface transportation programs, but clearly none have yet been universally embraced. The Obama administration looks forward to working with Congress and transportation stakeholders throughout the country to find a bipartisan solution to this urgent challenge. I thank the committee and am happy to answer any questions you have.

Mr. PETRI. Thank you.

And we appreciate both of you helping us address this. It is not necessarily a pleasant task, but it is an important task because we ask for these jobs, so we are going to have to deal with it as responsibly as we can.

In that connection, does the administration have any position on what we should be doing about the default as we move forward to fund our transportation needs?

Ms. TROTTENBERG. We have proposed in our budget using the funds available from the drawdown of our commitments in Afghanistan and Iraq to help fund the program in the short term. It has been proposed in our budget for the last few years, and it would enable us to not only continue the program at current levels, but grow the program and fund a new rail title as well.

Mr. PETRI. So that would mean basically taking money that would otherwise go into the general fund and using it to fill in the shortfall in the Transportation Trust Fund for the next few years?

Ms. TROTTENBERG. Yes.

Mr. PETRI. And would that drawdown be anticipated to be adequate to meet the——

Ms. TROTTENBERG. Yes. In fact, the drawdown actually provides, my understanding, more revenue than would be needed to continue the program and grow it. The administration, as I mentioned in my testimony, is also looking at ways of getting more private sector investors into our transportation program and looking for ways we can run the program more efficiently, both run it more efficiently at DOT, but also work with our partners, State DOTs and transit agencies, so that we do squeeze as much value as we can out of every dollar that we are spending.

Mr. PETRI. Could you sort of expand on the thinking of is it because of historic low interest rates that it makes sense, in your view, to borrow money for the next few years to pay for the transportation investment necessary rather than doing this maybe as a State search, and fund it upfront?

Ms. TROTTENBERG. At the moment, I think the thinking in our budgets is as we reduce our overseas military commitment, it makes sense to take a portion of those savings and invest them in infrastructure here at home. There is, I think, the general view right now that interest rates are low and it is a good time to invest in infrastructure, and clearly the country has some pretty profound infrastructure needs at the moment.

Mr. PETRI. So, if we didn't do that, the money would be used to reduce the deficit, but you feel it is a better priority to fund transportation at this time with the borrowing rather than the deficit reduction?

Ms. TROTTENBERG. I would say, Mr. Chairman, if you look at the administration's overall budget proposal, a portion of those funds would go to transportation infrastructure investment. Overall, the budget proposal has a number of suggestions on ways to also reduce the deficit. We do also think that is a priority.

Mr. PETRI. OK. Thank you very much.

Mr. Rahall.

Mr. RAHALL. Thank you, Mr. Chairman. Let me just follow up on the chairman's questions, Madam Secretary, in regard to the cash management procedures both at FHWA and DOT. Based on your current estimates, what is the timeline when you think that this scaling back of reimbursements through our States will take place?

Ms. TROTTENBERG. I want to preface my answer by saying these estimates are a moving target. We revise them fairly frequently. It can——

Mr. RAHALL. Right.

Ms. TROTTENBERG [continuing]. Be very determined by economic conditions, gas prices, et cetera, so you have to take that with a grain of salt.

Mr. RAHALL. Let me add also, how much notice would the States be given?

Ms. TROTTENBERG. I think we learned in 2008 that we need to, as soon as we start to get concerned with the cash balances are going to run low, that we start to talk to States well in advance so that States can have a sense of what might be coming and they can plan as well, because obviously they need to think about what a slowdown in cash disbursements would mean for them.

As I testified, it looks to us, the rule of thumb has been that you want to have in each account, in the highway account and the mass transit account about a month's worth of potential disbursements, which is, give or take, $4 billion in the highway account, $1 billion in the mass transit account. And as I testified, according to our estimates, which differ a bit from CBO's, we will be down to $4.6 billion at the end of fiscal year 2014 on the highway side, and for the transit account, down to only $300 million.

As we start to get to the end of next fiscal year, we are clearly going to need to start thinking about what the trust fund looks like and talking to States about what might happen.

Mr. RAHALL. Do you think the fear of waiting to get reimbursed by the States will cause them to front load their spending?

Ms. TROTTENBERG. It is a good question, and actually, it turns out——

Mr. RAHALL. Around the bank, so to speak?

Ms. TROTTENBERG. It turns out, in 2008, that is actually not what happened. There was a concern that States would try and quickly get to DOT for disbursements, but I think at that time the States had confidence that Congress and the administration were going to come together and plug up this hole in the trust fund. Whether States would think so now, I don't know.

Mr. RAHALL. Good question. Let me ask you about the peace dividend. You know, that sounds good, and that has been the line from administration for quite some time, taking the drawdown from expenses of two wars and spending it here at home. It still requires congressional appropriating action, does it not?

Ms. TROTTENBERG. Yes.

Mr. RAHALL. Which means you are going to reduce defense spending and then increase spending for the Department of Transportation, and so you are still going to have that battle here on Capitol Hill, are you not?

Ms. TROTTENBERG. I would think you would, yes. I would say, Congressman Rahall, I think clearly, as you are hearing from our testimony today, we have a big challenge here with what we are going to do long term in the transportation program.

Mr. RAHALL. And the peace dividend is not a long-term solution. That is still a Band-Aid approach.

Ms. TROTTENBERG. And, I think, again, that is one idea that we have put on the table. We know there are a lot of other ideas here in Congress, and clearly, it is going to take the work of a lot of the leaders here in Washington to come up with a solution. It is not going to be an easy problem to fix for sure.

Mr. RAHALL. Thank you. Thank you, Mr. Chairman.

Mr. PETRI. Mr. Shuster.

Mr. SHUSTER. Thank you. Just to follow up on Ranking Member Rahall's question on the acceleration, the States. You don't see any of that occurring now? I would think that maybe States, based on when the shovel-ready projects, where other States are going to be looking at this with the anticipation that we are going to run out.

Ms. TROTTENBERG. The only thing I have seen so far, Mr. Chairman, we have talked to a lot of State DOTs and transit operators, and obviously they are all keenly following what is happening here in Washington and wondering what the long-term situation is going to be. This is one thing that we have often talked about, States need to take a long time to plan these projects. Big ones can take many years, and I do know that some States are starting to look at what their long-term list of projects is and think about, if we start to have a funding shortfall, what might we postpone? I haven't heard yet that they are thinking of accelerating, but that doesn't mean that some of them aren't thinking of it.

Mr. SHUSTER. Right. Right. Mr. Cawley, the accuracy of the projections over the past years on the Highway Trust Fund, is it—have they been accurate or they been off or they——

Mr. CAWLEY. Well, CBO's projections, I think, have certainly been close. We are rarely spot-on with the actuals. I think, on the revenue side, there is some difficulty in accurately predicting the change points, if you will, in the economy. For example, the 2008 financial crisis is something we certainly couldn't foresee, and that caused quite a change in revenues, but our most recent estimates have been pretty accurate.

Mr. SHUSTER. Is there any difference in the accuracy in the highway account versus the transit account? Are they all pretty close to what you project?

Mr. CAWLEY. I don't think there is a significant difference. I know we have some technical differences with the Department about the exact pace of spending for transit activities in past obligations, but it is not too large.

Mr. SHUSTER. And Secretary Trottenberg, if we—if it is significantly reduced, spending, radically cut during fiscal year 2015, can you talk about the impacts it will have on our ability to maintain and what the effects will be on the States?

Ms. TROTTENBERG. I think it is quite clear that the effects would be dramatic. I think you will start to see, if we draw close to what appears to be a bit of a crisis point, that State DOTs and transit agencies will start to look at the list of projects they have and potentially start to postpone some of them.

One thing I would note for the committee is, and the effects would be different for different States and different transit agencies. As I mentioned in my testimony, particularly for smaller

States or districts or rural areas, they are actually much more dependent on fairly frequent infusions of Federal dollars, so if there is a slow down, a larger transit system like in New York perhaps could float along for awhile, but some of the smaller rural transit providers, they would run out of money pretty quickly, so the effects will not be even across the country.

Mr. SHUSTER. And you mentioned in your testimony, as I mentioned in my statement about implementing the streamlining in MAP–21. I know—I think that the chairman has had some hearings on that, and can you sort of update us on where we are?

Ms. TROTTENBERG. We are meeting the deadlines as we go along. We have implemented the first categorical exclusion, which was for projects, emergency projects, and existing right-of-ways. I am happy to say we already got to exercise that authority with the temporary replacement for the Skagit River Bridge in Washington State, so I think that was a tremendous success. We have out for comment now the categorical exclusions for projects with minimal Federal dollars and projects within existing right-of-way.

We are very excited about the provisions within MAP–21 and they dovetail well with some of the things the Department has already been pursuing through our Every Day Counts initiative where we have really been trying to look for ways to speed up the environmental process, make the reviews concurrent, and work with all our sister Federal agencies. We thank Congress for those provisions, and I can assure you Federal Highways and Federal Transit are implementing them aggressively.

Mr. SHUSTER. And in Sandy, the money that went out to the Sandy, wasn't there some—some of MAP–21's streamline, were you able to utilize that to get money out much quicker?

Ms. TROTTENBERG. I think the emergency provision in MAP–21 is going to prove very useful all over the country whenever, unfortunately, disaster strikes.

Mr. SHUSTER. Thank you. Yield back.

Mr. PETRI. Representative Edwards.

Ms. EDWARDS. Thank you, Mr. Chairman, and thank to our witnesses today. I think this is the thing that we just struggle with. I mean, I happen to be from the great State of Maryland, which I think did something both spectacular and really politically difficult over this last session of our general assembly in terms of spending—that as a State, we have State transportation needs that are not being met and dwindling ability to expect that the Federal Government is going to be the partner that it needs to be, particularly for some of these large projects. And so, one of the ways that we wrestled with that, of course, was around the gas tax. Still, not without controversy. Although, as I go around my district and talk to people about this, you know, the—you know, some of the folks who are understandably angry because they seem to be paying more and more at the pump, but these are the same people who have great complaints about the—about our infrastructure and whether we are able to meet those needs adequately.

And I think many of us have just come to the conclusion that in the same way that we had to absorb the fact that 20 years ago we paid 50 cents for a candy bar, that same candy bar costs $1.25 now.

And I look at, you know, the gas tax as, you know, a revenue source, although not one that we can count on for the future for reasons that you have described in your testimony. And I wonder if there is some hybrid solution—for example, implementing a CPI, which we seem to do on just about everything, and adjusting that CPI so that it is, in effect—I mean, as I think, Mr. Cawley, in your testimony, I think you pointed out that, had that consumer price index been in place at 18.4 cents, it would be about 29 cents today.

And I am not saying doing that, but, you know, perhaps even implementing a CPI and, you know, from day one, from today going forward, and then some sort of temporary, one-time adjustment so that we could bring the fund up to some acceptable point. But at least we would have, then, that structure in place for the future rather than having to continue to revisit this question and spending dollars today that don't hold the same value as a dollar would, you know, a year or 10 years from now.

And so I wonder if you could talk to us about just, you know, explore the alternatives. I know we are afraid to mention that sometimes on this committee, but it seems to me a realistic approach to try to deal with what is a truly structural problem that is impacting job creation and impacting our ability to meet our infrastructure needs.

Ms. TROTTENBERG. I would just say, it is interesting, we actually had for many decades a de facto indexing, because fuel usage just increased fairly naturally for so many decades, after 1956.

Clearly, this is something I know that has been much debated in Congress. I think it is—in my time, because I worked on Capitol Hill for many years, it is sort of a perennial debate with a lot of different programs about whether you maintain control by voting regularly to increase revenues or whether you decide to just put some kind of an index in and let it go on autopilot. I think it is a difficult decision.

To some degree, we had de facto indexing for a long time. Part of why we are where we are now is because fuel usage has essentially flattened out. We no longer have that de facto indexing.

Mr. CAWLEY. I think the option you outline, to start indexing to CPI perhaps in the near future, is certainly something we could work with your staff and try to analyze the numbers on. I can't do it here, but it is a possibility we could look into for you.

Ms. EDWARDS. Thank you.

I will just conclude. I think, Mr. Chairman—Chairman Shuster, Mr. Chairman, it is really incumbent on us to figure this out. I mean, we put an obligation—for example, when the base reorganizing was done, there are facilities all across this country, two of them in my district, where we also weren't able to make the kind of transportation structural changes that were needed to accommodate what were increased numbers of employees at those facilities. There is a greater burden on our bridges, greater burden on our roads, and we haven't been able to meet those needs. And I just hope that we can find a solution to this.

And I would just say that, you know, finally, it makes sense to me that in this environment we have to create a process where we can come to the kind of bipartisan solution that Secretary Trottenberg pointed out over the history of the transportation fund.

And when we do that, I think we will get to one that the American people can respect and enjoy.

Thank you.

Mr. PETRI. Thank you.

Mr. Coble?

Mr. COBLE. I thank the chairman. Good to have the panelists with us today.

Mr. Cawley, your testimony states that the revenue from the gas tax is in decline while revenues from the taxes on diesel fuel and truck and truck sales are increasing. What trends do you expect to see as it relates to the remaining excise taxes?

Mr. CAWLEY. Over the 10-year period, we project the combined revenues from all of the various excise taxes that go into the Highway Trust Fund will vary between about $38 billion to nearly $41 billion. So, over the 10 years, there is not a tremendous growth or variance in the receipts.

Mr. COBLE. Will these trends that you may have suggested, will these trends have any impact on the insolvency of the Highway Trust Fund?

Mr. CAWLEY. Assuming that spending from the trust fund keeps growing at the same pace it has been in the past, we will have this shortfall that we have been discussing, yes.

Mr. COBLE. I thank you.

Ms. Trottenberg, is the impending insolvency of the Highway Trust Fund already having an impact on our Federal partners', States', transit agencies', and local entities' ability to plan and move forward with projects?

Ms. TROTTENBERG. I think we are just potentially starting to see a little sign of that. I don't want to overstate it, because I think, so far, the States and the transit agencies are somewhat optimistic that we are going to find a solution.

But as we draw closer to the end of the life of MAP–21 and it looks like the balances in the Highway and Transit Trust Funds are going down, I think clearly our State and local partners are going to start to perhaps pull some things off the list of projects that they were planning to go forward with.

Mr. COBLE. I thank you both for being with us.

Mr. Chairman, I would like to yield back.

Mr. PETRI. Thank you.

Representative Eddie Bernice Johnson, any questions? No.

Mr. Sires?

Mr. SIRES. Good morning.

Thank you very much for testifying.

You know, there are many gaps in what we fund, and one of the gaps in the Federal funding I am finding in our freight transportation network.

I was wondering if you think that we could specifically have a tax and just dedicate it to freight transportation and just not have the—not have it put in with the highway transportation fund. How do you think that would work, since we are heading for all this shortfall? Do you think that would be something that we could consider, and just dedicate it to freight movement?

I come from a district where I have two ports, New York. Freight movement is extremely important. And I am concerned that we are not funding it sufficiently. So I am trying to look for a way to—Mr. Cawley, you don't seem too enthused about it.

Mr. CAWLEY. I think I am just trying to follow you. It sounds like a new proposal. And it is not clear to me if you mean freight movements, multimodal or just highway-type freight movements. But, certainly, additional revenues directed to the Highway Trust Funds, whether in another special account or not, could certainly increase the amount of resources available for roads.

Ms. TROTTENBERG. I will say a couple things on that question, Congressman.

First of all, I would say the Department has now run four rounds of the TIGER grant program, and one thing we noticed is—and it was an open competition of all modes of transportation, and freight projects did extremely well. Out of the $3.1 billion that Congress gave us for TIGER, the Department wound up awarding almost a billion of it to freight projects. They scored very well in terms of economic benefits and social benefits. So I think there is clearly a large inventory of important freight projects that are worthy of public investment.

At the same time, as you all know, in MAP–21, you have charged the Department with doing a lot of new work on freight. I think the goal of our implementation of the MAP–21 freight provisions is to give you all here on Capitol Hill a good sense of what are the freight needs around the country, what are the different ways we might address them, and what new types of programs might we need.

I am hoping that our MAP–21 implementation work will help provide an answer to some of the questions I know a lot of you Members who are concerned about freight have been asking.

Mr. SIRES. All right. Thank you very much.

Mr. PETRI. Thank you.

Mr. Crawford?

Mr. CRAWFORD. Thank you, Mr. Chairman. I appreciate you calling this important hearing today.

I thank the witnesses for being here, as well.

This is probably the most important issue that we will face in this committee as we begin consideration of the highway bill reauthorization next year.

And I understand the important role Federal funding plays in our Nation's highways. In my home State of Arkansas, Federal highway funds account for over 50 percent of the State's highway program funding each year due to the size of Arkansas's highway system and relatively small tax base.

It is critical that we find solutions for the long-term solvency of the Highway Trust Fund, and this hearing is an important step in that process. And, as has been pointed out earlier today, Arkansas passed a tax that would help in funding highway projects.

What advice would you have—I will start with you, Secretary Trottenberg. What advice would you have for small States, like Arkansas and others, as we anticipate a further tightening of Federal funds geared toward investing in our highways?

Ms. TROTTENBERG. Yeah, it is a good question. You are certainly right, Congressman; there is a wide variation for States in terms of how much they rely on Federal funds to make up their transportation program. Typically, smaller States and more rural States that, as you point out, might have a very large highway network, relative to a small population base, typically rely more heavily on Federal funds. That is, in a sense, the way we designed the Interstate Highway System and why we have been funding it, in part, at the Federal level.

I would say, increasingly, among States large and small, there is an effort to, in addition to, as some States are doing, looking at new revenue measures to also try and engage in more innovative financing, to look to the private sector to help where they can.

Although, I think, as this committee knows, to the extent that you are using innovative financing, it is usually money that is being borrowed, and it does have to be paid back with some sort of a revenue source. That can often be a challenge for more rural States.

Mr. CRAWFORD. Talk about a possibly scaled-down State version of TIFIA. I know that some States actually have that in place. Is that a viable option for States to implement?

Ms. TROTTENBERG. It is certainly a viable option, and a lot of States have been looking at it. Again, you do need a revenue source to repay the loan. TIFIA provides a financing mechanism, and one that is increasingly very popular because it enables project sponsors to access very low-interest loans and pay them back over a very long timetable.

But you do have to pay them back. And, typically, at the Federal level, that is meant through some kind of a toll, a sales tax, or what is called an availability payment, which is just a stream of revenues from the State or local government.

Mr. CRAWFORD. Mr. Cawley, your thoughts on either of those questions?

Mr. CAWLEY. I guess I would just observe that States have for a long time had safe drinking water funds and wastewater treatment, water revolving funds, which are along the lines of what you are talking about for transportation. But there, obviously, there is a dedicated revenue source available for the treatment of sewage and supply of drinking water, so transportation is a little bit different for that model.

Mr. CRAWFORD. Thank you. I appreciate it.

Yield back.

Mr. PETRI. Representative Hahn?

Ms. HAHN. Thank you, Mr. Chairman.

I am from California, from Los Angeles, where we have done very well, I think, in passing our own increased tax measures to help fund transportation projects. So I am really always proud of the voters in particularly L.A. County, who always seem to agree to tax themselves to fund transportation programs.

You know, we talk a lot about the gas tax, and that seems to be sort of the common theme about raising the gas tax, finding some index that automatically does that. So I am one of two Members of Congress that drive an electric vehicle, so I am proud of that. And we, too, drive the roads and the highways, not as far as we would like to, depending on the charging stations.

But what is your thinking on—you know, we are more and more encouraging carpool lanes, which means people are leaving their cars at home, which means they are buying less gas. We are encouraging the use of alternative-fuel cars, electric vehicles. I haven't been to a gas station in 2 years.

So what are we thinking? What are some user fees? What is a different way to think about a revenue stream besides just a gas tax? Because I think more and more Americans are looking to avoid the gas station. So what is a concept that we might start really looking at and analyzing to achieve revenue from those of us who certainly use the roads but aren't buying gas?

Mr. CAWLEY. I think a lot of folks have talked about some kind of technologies to charge people based on the amount they use the roads, a vehicle-miles-traveled type of charge. And I believe Oregon is looking into an experiment to try that type of charge on users.

Mr. NOLAN. Could you say that again?

Mr. CAWLEY. I believe that Oregon is investigating how this might work. I think it requires a lot of technology to track vehicles, where they actually go and how they use the roads. But that has been discussed quite a bit as an alternative to a fuels tax.

Ms. TROTTENBERG. I would take a step back and say, there is a larger question that I think we are potentially still grappling with, which is, there are three approaches on the table or some combination of mixing and matching. There is the current approach, which is we are using general funds to plug up the trust fund. We could also let expenditures out of the Highway Trust Fund match revenues, which would obviously, I think, have big impacts on transportation across the Nation. And then there are potential other revenue sources. I am not sure we have gotten to number three yet, let alone getting into the details of what we would specifically choose.

Ms. HAHN. Well, I appreciate that. I certainly think we ought to be looking at something other than just a gas tax. I always feel like raising the gas tax is also inappropriate—you know, affects low-income folks, and would like to really find a way that it could be more fair on who is using our highways. And just because you are buying more gas doesn't necessarily mean you are using the highways more than someone who is not.

So, you know, the technology exists. We really ought to look at that. I know in Los Angeles we track—we have some fast lanes that folks buy the little tracker they put in their windshields, and it is very easy to track. And we are charged every time we drive in a certain lane on the freeway in Los Angeles. It is not that difficult then to charge the person in that way.

So I think that is—we really ought to, I think, be looking outside of the gas-tax box as we go forward.

Thank you.

Mr. PETRI. Mr. Hanna?

Mr. HANNA. Thank you.

Along Ms. Edwards and Ms. Hahn's point, it seems to me the general paradigm of funding highways through the gas tax or the notion of a highway use tax have relevance and have had relevance but that, in many ways, they are both becoming somewhat arcane; that, in fact, young people between the ages of 16 and 34 have driven 23 percent less, from something around 10,000 miles a year to 7,300 miles a year.

And mass transit and urbanization and the fact that we are not funding mass transit the way, frankly, I think we should is, in fact, the case to consider the general fund as a way to allow everyone to pay in a system, that even if you don't own a car and you drive a bike, you would use a road. If you order through Amazon.com, you use the road to get things to you. The notion of not going to the general fund for this money for something is maybe fundamentally flawed.

And I don't say that as a criticism, just a general observation that, increasingly, roads haven't lost their relevance or importance, but the people who enjoy the benefits of those roads are, frankly, not paying a fair share. And I worry that all the conversation around highway use taxes, distance-mile taxes, may already be becoming irrelevant. Ms. Hahn here escapes taxation.

I don't know how you do it.

I want to know what you think about that. Thank you.

Ms. TROTTENBERG. I think, Congressman, we certainly are seeing and thinking about the trends you are talking about, which have a lot of different implications. Implication number one, with young people and retiring baby boomers increasingly driving less, obviously it is having an effect on the bottom line of the trust fund.

It also has an effect on the transportation policy side. If the demand for alternative forms of transportation—transit, biking, walking, et cetera—is rising at the same time that revenues to the trust fund are going down, then that is a real challenge, because there is a big demand for other forms of transportation.

Mr. HANNA. Well, I am concerned, too, that going to the gas tax—and, you know, frankly, the elephant in the room is that somebody's taxes are going up if we are going to do what we need to do someplace—going to the gas tax may be avoiding an opportunity that we have to talk about this in a much broader way.

And, either of you, I am just interested in your opinions.

Ms. TROTTENBERG. Well, in some ways, we are already there. By the end of fiscal year 2014, we will have transferred $54 billion in general funds to use for transportation. And in the transit program, a portion of that program has always been funded through general funds.

So, even maybe without coming out and saying it, we have been doing a little bit of that now for about the past 6 years.

Mr. HANNA. But the point is, we have stopped doing that. And it is a tough conversation.

Ms. TROTTENBERG. Well, no, in MAP–21, we have transferred $21 billion of general funds for these 2 years. So it has been ongoing since 2008.

Mr. HANNA. Except that, my point is that the conversation is a particularly difficult one in this Congress. And the question isn't, what do we do for MAP–21? It is, what we do beyond MAP–21 when we, as you pointed out, bankrupt the fund?

So my time has expired. I apologize. Thank you.

Mr. PETRI. Representative Kirkpatrick?

Mrs. KIRKPATRICK. Thank you, Mr. Chairman.

Under Secretary, we are talking about vehicle miles traveled. And I represent a very large rural district in Arizona where people drive lots and lots of miles. Have you done a comparison on the impact of raising the gas tax versus going to VMT on rural America?

Ms. TROTTENBERG. We have not, but I think, as Mr. Cawley mentioned, there is an experiment underway in Oregon where they are going to be looking at some of those very issues. So they may provide some pretty interesting data, some folks will be doing VMT, some folks will be paying the regular gas tax, and they can compare the results.

Mrs. KIRKPATRICK. Well, I think it is very important in coming to a solution here that we don't have unintended consequences and that we don't harm the rural areas of the country, where they really don't have transportation choices. I mean, it is clear as a Nation, yes, our transportation preferences are changing, but that is more in the urban centers.

But I just want us to keep in mind, Mr. Chairman, as we talk about this, and Ranking Member Rahall, that we have rural areas in this country where people use the roads, they travel lots of miles, they consume a lot of gasoline, but they are not getting back those tax dollars in terms of investment to make their roads better. And I think it is very important that we continue to keep that in mind as we try to come up with a structure that is going to be fair.

Do you have any comments, Mr. Cawley, about that?

Mr. CAWLEY. It is not something that CBO has specifically tried to look into yet. But, certainly, we should be thinking about it.

Mrs. KIRKPATRICK. Yeah, would you keep that in mind?

And I just have another question for you. In your report, in the CBO report, you say that we have to come up with a 10-cent-per-gallon gasoline tax increase if we are actually going to put the Highway Trust Fund on a fiscally sustainable path.

Do you mean that on gasoline and diesel? It wasn't clear in your statement.

Mr. CAWLEY. All motor fuels, right.

Mrs. KIRKPATRICK. All motor fuels, 10 cents.

And in 1956, when we first enacted the tax, it was 3 cents per gallon. Have you done a percentage of what that was per gallon of gasoline at the time? I mean, are we within the same range that we were in 1956 when we were taxing 3 cents per gallon?

Mr. CAWLEY. I haven't done that particular calculation, and I am not sure I can do it in my head.

Mrs. KIRKPATRICK. OK. Well, maybe I can have my staff do that. I was just curious about that.

Thank you, Mr. Chairman. I yield back.

Mr. PETRI. Mr. Ribble?

Mr. RIBBLE. Thank you, Mr. Chairman.

I want to thank you both. I am over here to your left. Very good. I know it is kind of hard to find. You have the sound coming out of the air here.

Ms. Trottenberg, I am curious about your testimony today in one respect. In your written testimony, on page 7, you have a section entitled "Administration Proposed Funding Solutions." However, in the three paragraphs that are contained in that section, there are no proposed funding solutions.

Does the administration have solutions for us?

Ms. TROTTENBERG. Congressman, as I mentioned before, in the President's fiscal year 2014 budget, we have proposed taking a portion of the funds that were previously going for our military engagements in Iraq and Afghanistan and using that to invest in infrastructure here at home.

We are also increasingly looking at ways that we can get more private-sector investment into our transportation system.

But I think we also acknowledge, for a long-term sustainable solution, we are going to need to work with you all here on the Hill and with stakeholders around the country to look for some additional solutions.

Mr. RIBBLE. Yeah, because none of those solutions really—they are very unstable. I mean, another war could pop up tomorrow, and then that whole idea disappears. And we really need to have some type of long-term solution. And conversations like this, while helpful to identify the problem—and I think the American people need to be brought aware of the problem—are, like many hearings I am at, high on identifying problems, low on identifying solutions. And what we really need do is find that.

Mr. Cawley, I am curious, has CBO done any almost macroeconomic evaluations on the impact of motor fuel taxes on the trucking industry?

When I look at it, diesel fuel is taxed at about a 25-percent premium, which is paid pretty much by them. There is a 12-percent excise tax not only on new truck purchases, which is sometimes better for the environment, we also charge a 12-percent excise tax on improvements to those vehicles. For example, if you want to convert from diesel fuel to CNG, for example, not only is that an expensive conversion, we charge even more for that. Then there is an additional tax on the tire weight ability, which goes heavily to the trucking industry. Then we also have a heavy vehicle use tax, which is paid for by the trucking industry. And then after the trucking industry pays for all of those things, if they happen to go on a road that has a toll, they pay that as well.

And it seems like it is a very simple thing for Congress to just kind of make them pay the tax because there are fewer voters associated with that. However, when I look at the industry, it is not just the trucking companies, it is the people who build those trucks, it is the people who maintain those trucks, it is the people who load those trucks, it is the people who unload those trucks, it is the people who grow and make the products and build the products that go in those trucks that are all affected by the higher costs.

And I am curious if we are not just shooting ourselves in the foot. We are almost treating this as if it is a sin tax, and typically you use sin taxes when you want less of something, not more of it.

What are your thoughts on that?

Mr. CAWLEY. I don't believe CBO has prepared any particular studies that look at the impacts on the trucking industry by itself.

Mr. RIBBLE. Would you concur with my assessment?

Mr. CAWLEY. That we are increasingly putting charges onto the trucking industry? It is not clear to me that under current law there are going to be any increases in any of these particular taxes.

Mr. RIBBLE. I am speaking more directly to the impact of taxation on a particular taxpayer in relation to how they make economic decisions based on taxation.

Mr. CAWLEY. I don't really have a conclusion for you on that.

Mr. RIBBLE. All right. I appreciate that.

Ms. Trottenberg, regarding the reduction of the Highway Trust Fund, particularly in revenue, between 2007 and 2010, we do know that there was less diesel fuel used. Do you attribute that to a reduction in miles driven due to the great recession, or do you think this is a long-term trend?

Ms. TROTTENBERG. I think, as we were discussing at the beginning of the hearing, although overall fuel usage is going down, actually diesel fuel usage has been going up, with some ups and downs in terms of fuel prices and economic conditions. The trucking sector is a growing one.

Mr. RIBBLE. It is.

Ms. TROTTENBERG. I think, in terms of long-term trends, I haven't looked at long-term projections over many years, but I think for the foreseeable future there is some growth in that sector.

Growth in the passenger side of fuel use is pretty flat. And so what you see in terms of revenues to the trust fund is it only goes up a little tiny bit if you look at the next 6 years' worth of revenue projections. Now, that is always subject to change depending on economic conditions, et cetera.

Mr. RIBBLE. All right. Thank you very much.

And, Mr. Chairman, I yield back.

Mr. PETRI. Representative Frankel?

Ms. FRANKEL. Thank you, Mr. Chair.

I want to follow up on Mr. Hanna's comments, which I thought were well taken. Just first with a story. I remember visiting another country several years ago; I won't name the country. But what struck me was the condition of the roads. I mean, this was a beautiful country, but you basically had to inch to wherever you wanted to go. There were so many potholes, it would take—I am from Florida, so what would take me maybe, you know, 15 minutes in Florida literally could take 2 hours in this other country.

Which leads me to my next question, which is—or my first question, which is whether there has been an economic analysis of the impact of not investing in our infrastructure, our highway infrastructure, for example, the cost to the American economy, to tourism, to individuals having to repair their cars. Is there any type of analysis that you have?

Mr. CAWLEY. I am not aware of anything like that from CBO.

Ms. FRANKEL. You are kidding.

Mr. CAWLEY. No.

Ms. TROTTENBERG. I would say that there is a fair number of reports and analysis looking at questions like how much does congestion cost in terms of time spent in traffic and looking, I think, at some of the economic impacts of those delays, which are often very hinged on road condition and condition of transit systems.

Ms. FRANKEL. Uh-huh.

Ms. TROTTENBERG. There is, I think, a fair amount of literature. The Texas Transportation Institute does the report that is most well-known, where they analyze every year essentially what the costs are to the economy of time spent in congestion. And it is tens of billions of dollars.

Ms. FRANKEL. The reason I asked that question is because I am really, as I said, following up on Mr. Hanna's comments, is that it is more than just someone who drives a vehicle that is using the roads. I mean, I come from Florida. We have, you know, thousands and thousands of tourists on the roads, and if our roads were not smooth, then, listen, they would go—I mean, the tourism industry is competitive. They would go maybe to another State or another country. We have a lot of people coming in from other countries.

So the point I am trying to make is that our analysis—just to look at the user fee, you know, like a gas tax or whatever, may not be the fairest way to go about this, because our roads really—transportation drives our economy. Other than anything that goes on the Internet, I mean, if you want to move products, you want to have tourism, you want to get to work, most people go on the road.

Do you want to respond?

Mr. CAWLEY. Well, I certainly agree with you, transportation is very, very important. I am not aware of an economic analysis that CBO has prepared that tries to quantify——

Ms. FRANKEL. I guess——

Mr. CAWLEY [continuing]. All these benefits that you have been talking about.

Ms. FRANKEL. Well, how about thinking outside of just maybe a gas tax? What I am saying is, we have a lot more users than someone driving a vehicle or just even a truck driver driving a vehicle. I mean, what about the supermarket that is waiting for the food to come in? I mean, doesn't that supermarket depend upon food getting delivered on time?

Mr. CAWLEY. Right. I mean, I think the point was made earlier that ultimately there are just two sources of money for roads——

Ms. FRANKEL. Right.

Mr. CAWLEY [continuing]. The general taxpayers or the road users.

Ms. FRANKEL. Right.

Mr. CAWLEY. And you are making an argument that the general taxpayers benefit, too.

Ms. FRANKEL. All right. Thank you very much.

I waive the rest of my time, Mr. Chairman.

Mr. PETRI. Representative Rice?

Mr. RICE. Good morning, and thank you for being here.

Certainly, you know, we have to invest in infrastructure. Our infrastructure is not keeping pace with the rest of the world, and it makes us less competitive. Competitiveness is something that I am really concerned about, keeping American jobs here and bringing some of those jobs that have already gone overseas back.

But we are sitting here talking about a fuel tax increase. We just had a tax increase on January 1st with the fiscal cliff deal. We are going to have another tax increase on January 1st with the new healthcare rules. So, tax increases make us less competitive.

I don't think that the average American knows what the fuel tax is. I think that is not what they are concerned about. I think what they are concerned about is the price they see at the pump. And as late as 2009, the price they saw at the pump was less than $2 a gallon, and now it is $3.50 a gallon. So if there was a way that perhaps we could bring the fuel cost down, it might not be as much of a hardship to raise the gas tax a few pennies.

Because, you know, these people are suffering. The economy is still in the dumps, dragging along. Unemployment is far too high. And taxing them any more in any aspect is not a good thing.

You know, we have all these proposals out here to bring the cost of fuel down. We have this Keystone Pipeline proposal. We have all these options for drilling on Federal property, ways that we can use our domestic resources to keep from sending money overseas and bring our fuel costs down. And the administration doesn't want to have any part of that, but they want more money for the highways.

You know, if we could employ some of these things and make a meaningful drop in the fuel cost, then if you are saying you need a 9-cent fuel tax rise, if that happened, then I don't think 90 percent of the people would even know. But adding to it on top of everything we have already put on them is just almost unconscionable at this point.

So, you know, in terms of competitiveness, I think we need infrastructure investment. In terms of competitiveness, I think we need low fuel costs. I think taxes are generally anticompetitive.

So, you know, the idea of adding another 10 cents a gallon on people who are already stretched to the limit right now—you know, the administration came out last week, said that they were going to increase their emissions standards. War on coal, shut down coal plants. That is not going to do anything but drive everybody's utility costs up. It is going to make our businesses less competitive. Everybody's home heating bill is going to be higher.

And now we are sitting here talking about raising fuel taxes at a time when people are just living paycheck to paycheck and barely making it. If we would use the tools we have and the resources God has given us, it wouldn't be so hard.

Thank you. I give up the rest of my time.

Mr. PETRI. Mr. Carson?

Mr. CARSON. Thank you, Mr. Chairman.

Mr. Cawley, Madam Trottenberg.

I am interested in working on issues related to intelligent transportation systems. I want us to build on the limited language included in MAP–21 and see a better utilization of smart technologies with our existing infrastructure and really begin to implement new technologies. I think that the utilization of intelligent transportation technology can improve safety, lower highway fatalities, reduce congestion, and help make our transportation system smarter and more sustainable.

I am curious if either one of you see a role for new technologies to help fix the funding deficit for the Highway Trust Fund. Are there ways to improve highway funding through new technologies at all? Are there any promising pilot programs, perhaps, in the States that should be considered at the Federal level?

Ms. TROTTENBERG. I would say a couple things on that, Congressman Carson.

Thank you for your support of intelligent technologies. We think that is a tremendously important, growing area in transportation in two ways.

One, it offers the possibility of a lot of proven and low-cost ways to improve the efficiency of the existing system. As we are hearing, this is a very difficult question about how and if we are going to come up with more revenues, but we have a lot of intelligent transportation systems that can help use the system better that we have right now—even the most basic things like signalization, ramp metering. There are a bunch of very low-cost technologies that I think States and transit agencies can make use of that will get much more utilization out of existing capacity. And that obviously will make our whole system more cost-effective.

There are also, and I think Congresswoman Hahn mentioned, increasingly a lot of technologies out there—E–ZPass, all kinds of things—that, to the extent that at the State and local level you are looking at different tolling mechanisms, et cetera, there are technologies that can make it a lot less intrusive and potentially, also a lot more cost-effective.

So that is an area of tremendous potential and one I can tell you at DOT that we are doing a lot of research on and we are very enthusiastic about.

Mr. CAWLEY. It is not a subject I know very much about, but it sounds interesting, but I am sure it will be also expensive, as well.

Mr. CARSON. All right. Thank you both. Thank you for your honesty.

I yield back, Mr. Chairman.

Mr. PETRI. Mr. Mullin?

Mr. MULLIN. Thank you for being here today. Thank you for the opportunity to, well, just ask some questions. It seems like there is a lot more unknown than there is known in this room.

A lot of suggestions, but, you know, really, we run into a situation that I don't know if we are looking far enough ahead. Does either one of you have a projection of 20 years down the road where we are going to be?

Because what I keep hearing from Mr. Cawley and Mrs. Trottenberg is that we are just looking to put a Band-Aid on something.

Does either one have an idea of where we are going to be in 20 years, the shortfalls we are going to have or the infrastructure needs that we are going to be facing?

Mr. CAWLEY. I don't have a projection going out 20 years. But I think, in our testimony, we measure——

Mr. MULLIN. Well, if we——

Mr. CAWLEY [continuing]. The size of the shortfall in 10 years is enormous.

Mr. MULLIN. Well, as slow as we move in the Government, if we go just 10 years out, we are just going to be starting on today's problems. And I don't mean that as a joke, but I am being serious. Before we can get a project—we have to plan today before we can get a project. It is 3 to 5 years before we can get to see the dirt start moving.

Mr. CAWLEY. It is a difficult problem.

Ms. TROTTENBERG. I think it is a very fair question. And as my colleague mentioned, I have seen 10-year projections. Essentially, as we have mentioned, the revenues to the Highway Trust Fund will flatten out around $36 billion, going up a tiny bit.

And, there have been a bunch of different analyses out there over what the needs are. I mean, the trend lines diverge, and they continue to diverge in the long run. I think the picture is even a little more dire 20 years out if we don't do some interventions.

Mr. MULLIN. Sir, you had mentioned a 10-cents tax on gasoline and diesel. Have we thought about our natural gas vehicles, which are just on the rise—they are going to continue to rise—and our electric vehicles, how we are going to plan on making sure that they pay to drive the highways too?

Mr. CAWLEY. CBO can't make any proposals about additional taxes that you all might want to impose on different kinds of alternative-fuel vehicles. But when I look at the——

Mr. MULLIN. Well, it is not so much as wanting to propose. It is just, if everybody is going to—you know, what we continue to hear from this administration is pay their fair share, if we are going to continue to go down that road, then those that are using the infrastructure—which is every American, every individual, every person that comes and visits this country gets to enjoy the benefits of our infrastructure that we have. So how are we going to pass it on to everybody, other than just the individuals that are driving gas and diesel vehicles?

Mr. CAWLEY. Presumably through a fuels-type tax for those alternative kinds of fuels or some sort of vehicle-miles-traveled charge for the use of the roads.

I don't know of any proposals out there to do those kinds of things at the moment, but when I look at the projections that Department of Energy has about the vehicle miles traveled or anticipated to be traveled by these alternative-fuel vehicles, they are not huge.

Mr. MULLIN. Well, the trend that we are seeing with natural gas and with electric vehicles, they are fueling at home, not at the pump. And so, if we don't figure out a way to actually capture that, then we are literally just doing what Government continues to do and we just put a Band-Aid on it when we really need stitches.

Ma'am, you had talked about this administration, the Obama administration, wanting to use the revenues, or lack of revenues, from our drawdown in our two wars that we have been fighting. But this administration—and I believe you will even admit that that is dead on arrival. There is no way that is actually going to go anywhere. I mean, we are going to take more money out of DOD when they are already struggling with the cuts that we have already proposed to them, and we are going to propose more cuts?

So does this administration actually have a true plan, or are they just going to continue to throw out suggestions, what we continue to see?

Ms. TROTTENBERG. I would note that that set of savings is one that has been talked about a lot on Capitol Hill, actually on both sides of the aisle, and I think people have different opinions about what is really going to happen with it.

But, again, I would repeat what I said earlier, which is: I think, clearly, the difficulty of this problem is going to require Congress and the administration, House and Senate, Republicans and Democrats, to work together. I don't think——

Mr. MULLIN. I agree——

Ms. TROTTENBERG [continuing]. There is going to be a magic solution that is going to just——

Mr. MULLIN. And I do agree with what you are saying, but the thing is, being a leader and being—you know, I have been in the private industry or the private sector my whole life. When you are at the head, which this President is, you have to make tough decisions, not just suggestions. You have to come up with real solutions to propose something, not just throw something out and see if it sticks on the wall. And we continue to see that lack of interest and that lack of suggestion and that lack of leadership from this administration.

And I think what Congress is saying is, look, we are wanting to work, you can tell, both sides. This isn't just a Republican issue or a Democrat issue, but both sides are willing to work together. But, at the same time, that is what this country has continued to have done over and over again is look to our President for some type of leadership, and we have yet to actually see that.

I yield back.

Mr. PETRI. Mr. Nolan?

Mr. NOLAN. Mr. Chairman, members of the committee, a couple of things.

One, Mr. Cawley, I have seen numerous studies over the years on the significance and the importance of transportation to the overall general economic development of a particular region or constituency, as well as examples of individual costs to people for the lack of good transportation. I strongly suggest maybe have one of your summer interns do a little research, get you up to date on that. Because that kind of information would be very helpful to our committee.

And in response to Ms. Frankel, I can tell you, you know, the Old Bridge Road in Mission Township, up where the Little Pine and the Big Pine come together in northern Minnesota, before we paved that road I went through two front ends on my Ford F–150, but we got that road paved and I haven't had a problem since. So that is going to save me several thousand dollars in the future, going forward, and is a good specific example of how good roads can make a dramatic difference.

I applaud the other members of the committee here who have talked about the need to find other sources of revenue other than just user fees. The shortfalls you have talked about are obvious. The consequences are not good. And our roads are getting congested, and our mass transit is nowhere near adequate for what we need.

And there have been several mentions of, what is the administration proposing? Well, they have been supportive of the transfers from the general revenue fund, under the argument that those are peace dividends.

We need to remind ourselves around here that, as we work on transportation and infrastructure, that is just one part of our overall budget requirements. And we have spent trillions, literally trillions, in Iraq and Afghanistan and other places. And as the President has extricated us from Iraq and moving toward getting us out of Afghanistan, there are some peace dividends there. And other Members have made a good case for drawing down from our general revenue funds to help support our transportation system.

I would remind the members of the committee that recently there was an inspector general's report on the money that was spent in Iraq. And they identified $60 billion that ended up not going anywhere: projects that were blown up before they were completed, projects where the money disappeared before they got a chance to go to work on them. You know, and that was just, you know, just a little tiny share of the trillions that have been spent there.

So I want to remind the other members of this committee and the administration that we appreciate, number one, that the President is drawing down on that so-called nation-building abroad. And hopefully that will continue to produce peace dividends that we can use for rebuilding America's infrastructure, our roads, our bridges. We don't need to remind ourselves, our bridges are falling down.

So I, for one, applaud the administration and I applaud the other members of this committee who say, let's take a look at some other sources of revenue, including general revenues.

So I thank you for your testimony and remind the other members of this committee that we need to be as bold as some of these other committees are in asking for money and for revenues. When we see what China and other countries around the world are doing, it is somewhat embarrassing to see the fact that we are pulling back and drawing back. Our infrastructure, our transportation system has been the foundation of our economic greatness in this country, and we need to step up and demand that we find a way to continue to finance it and advance it and take care of the transportation needs we have in this country. So, be bold.

Thank you. I yield the balance of my time.

Mr. PETRI. Mr. Davis?

Mr. DAVIS. Thank you, Mr. Chairman.

It is always great to be a part of such a committee like the Transportation and Infrastructure Committee because we always see the differences in the geography that we each represent. And I was taken by my colleague from California's testimony earlier about her electric vehicle and the high-occupancy vehicle lanes. And I look to my district, which, you know, our lanes are right and left. I mean, much of my district is a two-lane highway. We don't have the same issues that one in an urban area does. And it is up to us as policymakers to begin the discussions and the debate on how to craft a bill that is going to work in every single part of America.

Like my colleague from Minnesota, I drive a Ford F–150. Thankfully, I have not had the same problems he has had hitting trees in Minnesota. But we do pay, in rural districts, a lot toward the gas tax. And, unlike my colleague from California, I feel like I have been at a—I haven't visited a gas station in 2 minutes, let alone 2 years. But those are the issues we deal with, and those are the issues that my constituents deal with.

And I agree with you, Ms. Trottenberg, that—you know, I am a realist, too—that, in this economic climate, the VMT might not be the only answer. Raising revenue through an increase in the gas tax may not be the only answer. You know, we need to look at a diversified portfolio.

And, with that, I have some specific questions about the VMT in particular. Because in my district, my single mother who goes to work to make a living to feed her family drives 30 miles to get there. Similarly, under a VMT in an urban area, that single mother may drive 3 miles. It may take her 30 minutes to get there. But under a VMT, my rural area, some of the more poor areas in Illinois, where I serve, it seems like they would be subsidizing projects in more urban areas.

So, with the VMT, who—does anybody have any idea who is going to administer a VMT? Would it be up to the States, Federal Government, what?

Ms. TROTTENBERG. I will take a crack at that. And, Congressman, just to be clear, I am not proposing a VMT.

Mr. DAVIS. I know that.

Ms. TROTTENBERG. Far from it.

Again, I think the one State that is worth everyone taking a look at is Oregon, because they are going to be going ahead with an experiment. And just so you know, one of the ways I think they are seeking to address the very issue you raise, which is fairness for people in rural areas who drive long distances, is potentially to give people a choice, which is you would pay by the mile or you could pay a flat fee. So it potentially attempts to at least, for people in rural areas or people who drive long distances, cap what they pay.

But I think that is a pretty difficult issue. I think Oregon is the only place that is really taking a look at it. So how it would be administered in other parts of the country or what might happen, there is no information on that yet. I think we have one State that is going to be looking at it in earnest, and, potentially, everyone can get a chance to look at their experience and take whatever lessons they want from it.

Mr. DAVIS. And my question on that is, if Oregon is the test case, I mean, how do we do a national VMT then? I mean, are we going to have 50 different collections? That is what concerns me about the discussion of a VMT. How are we going to do this in a national plan?

So I have concerns about that. I also have concerns, is the VMT the only option to bring revenue in from those who drive electric and CNG vehicles, or are there any other options that are out there?

Ms. TROTTENBERG. Yeah, just for the record, I don't see there is any movement for a national VMT. So I think Oregon seems about the only place that is really giving it a serious look.

Mr. DAVIS. Well, we hear about the national VMT a lot from different organizations that talk to us.

Ms. TROTTENBERG. I think here in Washington there doesn't appear to be any appetite for it whatsoever.

I know that a couple of the States—I think Virginia is one that has looked potentially for electric vehicles—vehicles that don't use gasoline—to potentially come up with some other fee structure. I think there are other ideas like that on the table that the States are looking at.

Again, as Mr. Cawley says, I don't think there is anything at the national level that is seriously being proposed or looked at yet.

Mr. DAVIS. OK.

And, Ms. Trottenberg, I have one more issue. You know, I agree, our roads and bridges are a priority. Very disappointed that the stimulus bill that was passed before I came to Congress only had about 8 percent of funds going to infrastructure.

But on the Recovery Web site and in media reports, it seems that there is still $5 billion in unspent funds. Are those in infrastructure projects, or are those in other portions of the stimulus bill that didn't have to do with infrastructure? Or what is being done with those funds? Are they obligated?

Ms. TROTTENBERG. That is a good question. That is one I would like to get back to you on.

And thank you for saying you wish more of it had been spent on infrastructure. I think we feel the same way. We are pretty proud of what we did at the Department of Transportation. We got a lot of great projects built around the country.

I haven't looked at the Recovery Act Web site in a while, so let me go back and make sure I get you the right information.

Mr. DAVIS. No, I appreciate that, and I look forward to your response. And thank you for your testimony today.

Ms. TROTTENBERG. Thank you.

Mr. DAVIS. I yield back.

Mr. PETRI. Representative Titus?

Ms. TITUS. Thank you, Mr. Chairman.

Madam Secretary, we have heard a lot this morning about how to deal with the revenue problems, whether it is the miles traveled or indexed gas tax or raising the gas tax or the general fund. I would like to shift to the other side of the equation; we haven't talked very much about that. And sometimes an ounce of prevention is worth a pound of cure. If we could do things that would make the need for additional investment less, I think that would be a good thing to focus on. And maybe Congress can be helpful with that.

Las Vegas, of course, depends a lot on tourism, like Florida, like where Little Pine meets Big Pine. We need tourists. So we have adopted a Complete Streets program, kind of a holistic approach that reduces the need for a lot of costly paving in some instances, also the need for additional retrofits. That is bringing down the cost.

I know that some other States have done similar kind of things. Washington State has a Complete Streets planning project. They have estimated that it is going to save about an average of $9 million, or 30 percent, on each project. Maryland has got something similar going on. They are looking at commuter programs for the disabled and have found savings of about $32,000 for the service for each individual.

Could we talk a little bit more about what Congress can do to encourage States to develop Complete Streets programs to help bring down the costs?

And, at the same time, another one that distresses me that I think also served kind of this same function were the TIGER grants. TIGER grants help to provide more efficient, safer, better transportation projects. I know in my district we did a 12-mile bus rapid transit down Sahara Boulevard. But now I see that, in the fiscal year 2014 budget, you are not just reducing funding, you are not just eliminating future funding, you are rescinding past funding, and TIGER grants are going to be gone. So aren't we being pennywise and pound-foolish, to use another old adage?

Could you talk about those kind of programs?

Ms. TROTTENBERG. Sure. Thank you for those questions.

And I certainly think—you mentioned Complete Streets. It is a great example. There are a lot of ways that we could reduce costs in the way we build and maintain and operate our transportation system. And there is no question that the Complete Streets movement is one, particularly in a lot of urban areas, where we have been building a lot of roads to interstate standards and we have really been overbuilding the roads. In fact, there are much less expensive alternatives. Certainly, there are Complete Streets—a lot of the States have adopted Complete Street policies, as have a lot of local communities.

The one challenge has been, once the State or the local community adopts that policy, how you see that it really gets infused into the transportation planning as it is done at the State and the MPO and the local level, because it is a real culture change. But, certainly, States and localities that have adopted Complete Street policies have often seen the dimensions and the costs of the type of projects they need to build go way, way down.

There are a whole host of other things that we could be doing to lower the cost of our transportation system. We have a procurement model which, compared to what some of our economic competitors in Europe and Asia do, is a pretty expensive way to do things. We design a lot of requirements upfront in the procurement model instead of sometimes letting the private sector come up with cheaper ways to do things.

So I think, increasingly, we in DOT are trying to work with States and transit agencies to find those economies, and I think it would be terrific to have Congress continue to encourage us to do that.

And I am glad you mentioned TIGER grants. We are very proud of the fact that, because the TIGER grant program was a competitive program, one of the competitive dimensions we looked at was how much the application was bringing non-Federal dollars to the table and what kinds of efficiencies were they using. And the TIGER dollars actually leveraged, even when they were grants, in the case of grants, but TIFIA loans as well, leveraged a lot of non-Federal and private dollars. So it has proved a very good model.

And I think you all probably saw, the Office of Management and Budget put out a statement last night about the House's bill. Obviously, we really protest not continuing the TIGER program. We think it has been tremendously important. Rescinding those existing balances will potentially take money away from grantees that are expecting to get those TIGER grants. So we are very concerned about that.

Ms. TITUS. Well, will you provide me some information so you can help me to make the argument that we shouldn't lose that program?

Ms. TROTTENBERG. We would be happy to do so.

Ms. TITUS. Thank you.

Mr. PETRI. Representative Williams?

Mr. WILLIAMS. Well, thank you both very much for being here. I appreciate your testimony.

I am going to give you an idea that will work. I am a small-business owner, and I am from Texas, and I also have been in the automobile business for 42 years.

Now, Secretary Trottenberg, in your statement, you say this, referring to CAFE standards: "Improvements in fuel efficiency contribute to a reduction in the trust fund resources and our ability to continue improvement of the Nation's transportation system."

Now, my question to you is, if we were to eliminate the EPA's CAFE and DOT requirements and let auto manufacturers build cars and trucks that the consumers really wanted, would we have more revenue for the Highway Trust Fund?

Ms. TROTTENBERG. I think I would have to unpack that question a little bit, because I think we have—and I am sure we are probably not going to agree with this—that, actually, CAFE standards have proved very, very popular, and they have saved consumers money at the pump. So I think, in that regard, again, I think this administration is proud of what we have done on CAFE standards.

There is no question, though, that for better or for worse, one of the things that has resulted in that is less money going into the trust fund. It is a tough balance. But I think, from the Obama administration's point of view, we would rather have a more fuel-efficient auto fleet, and that has been a priority for us.

Mr. WILLIAMS. Well, that is in the Obama administration's viewpoint, and I can tell you that is not from the consumers' viewpoint.

Let me tell you about CAFE standards and what they do, OK? If we go to where this administration wants us to go, we are going to raise the average price of a new car by $3,000—today's dollars. New cars priced under $15,000, which right now are basically an entry-level-type vehicle, they will no longer exist and force an estimated 7 million consumers—7 million people will be out of the new car market. They won't be able to buy a car. And no telling how many jobs that will cost in America. And we get back to job creation again.

Now, it also forces auto manufacturers to downsize vehicles. It makes them lighter and less safe, directly affecting auto fatalities. The insurance companies will tell you that.

So, despite CAFE standards and the DOT standards, the U.S. continues to import an ever-increasing amount of foreign oil.

So, for both of your information, I have introduced a bill, and I think you should read it. It is H.R. 2445. It is a bill that would repeal the CAFE and DOT standards and would let the auto manufacturers supply vehicles that the consumers want and that consumers demand.

And, like you noted—you and I agree with this—like you noted in your testimony, it will increase revenue for our Highway Trust Fund and allow us to better improve our Nation's transportation system. We will put more money in, we will create more people, and let the open markets and let the consumer get what they want and the auto manufacturers make what people want.

So I would like for you to read that bill.

Thank you for being here, and I yield back.

Mr. PETRI. The gentleman yields back.

Representative Napolitano?

Mrs. NAPOLITANO. Thank you, Mr. Chairman.

And thank you both for staying and listening to all of our questions and everything else and the comments. I think most of the questions that I had had been addressed earlier. And I did get here a little late, and I apologize.

But, you know, the issue of the States getting a fair share of their taxes, the funds that go into your user tax—your department oversees the maritime transportation. And I would like to know how you feel, whether it is fair or unfair, that maritime users at the ports of Los Angeles and Long Beach pay $220 million a year to the Harbor Maintenance User Fee, which is generally a tax, and receive $260,000 back in maintenance. And we do support a gas tax that returned 0.1 to the State that it collected it in. And is it fair that the industry has disparity?

Ms. TROTTENBERG. Thanks, Congresswoman, for the question. I know from you and your other colleagues who represent the west coast ports, and, look, it is a frustration we hear from ports all over the country, about the Harbor Maintenance Tax and what ports are getting back in terms of what they pay in.

Look, I think rather like we are discussing today with the gas tax, it is another area where there are a lot of difficult questions on the table, and I am afraid I don't think we are probably going to solve them here today. But this administration, again, I think we understand the frustration the ports have on this, and we would love to work with you all to see if we can have some solutions. We have been big supporters of the ports. And at least through the TIGER grant program, we have particularly tried to do what we can to provide support to all the California ports.

Mrs. NAPOLITANO. And I understand that. But the disparity there, we need to be able to ensure that whatever taxes are collected are used fairly. So if you are talking about disbursing the gasoline tax equitably, then we should look at other fees also. That is my point.

The second question I have, Secretary Trottenberg, is you mentioned the negative impacts of Highway Trust Fund solvency problems on transit providers in small and rural communities. I would like to hear specifically about the impacts on transit systems that rely on Federal funds for operations.

While slowing down payments to grantees is very potentially detrimental, not only inconvenient, to a system who was planning to buy a new bus, a system that relies on Federal funds for operations will be forced to cut routes or lay off workers due to slowed payments.

I would like to know what you think DOT or Congress can do. How much notice will FTA provide to small and rural grantees prior to slowing the payments, one? What flexibility does FTA to select how and in what order those funds will be rationed? And, thirdly, does FTA have the ability or authority to avoid slow payments to systems that use funds for operations?

Ms. TROTTENBERG. That is a good question. I had mentioned at the beginning of the hearing that, as you point out, if we find ourselves in a situation where our cash balances are starting to go down in the transit account, we are going to try and give transit systems as much notice as we can, so they can start to think about how they would plan for potential shortfalls.

There is no question that smaller transit systems will feel the pinch sooner and harder than larger transit systems, although ultimately, all transit systems rely to some degree on Federal dollars.

But I think in my testimony I mentioned there are some small transit systems around the country where close to 60 percent of their revenues are Federal. So it is not going to be long before they are going to need to start, as you mentioned, curtailing routes or slowing down on bus purchases.

Mrs. NAPOLITANO. So what is the plan?

Ms. TROTTENBERG. Well, I think we want to be careful because it is hard to know now what the circumstances might be, and I think we want to make sure we keep our options open and be working with Congress. If we found ourselves drawing close to a time when we didn't have revenues to provide all the funds that we would customarily provide to transit systems——

Mrs. NAPOLITANO. But are you looking at a plan? Are you looking at a solution to help them?

Ms. TROTTENBERG. Oh, absolutely.

Mrs. NAPOLITANO. OK.

Ms. TROTTENBERG. I would say, back in 2008, when the Highway Trust Fund was close to being insolvent, we basically formed a task force within the Department and we worked with Treasury to keep forecasting a lot of different scenarios and think hard about how we would minimize the impact——

Mrs. NAPOLITANO. And are you getting input from these small urban areas?

Ms. TROTTENBERG. Oh, yes, we are in pretty perpetual communication with our transit grantees and State DOTs. But there is no question if, as the balances in the Highway Trust Fund start to go down, at some point there will be real impacts on the ground, and there will be only so much we can do to potentially mitigate them.

Mrs. NAPOLITANO. Thank you.

And the last comment I would like to know is whether or not you are making any inroads on being able to cut fraud and abuse.

Ms. TROTTENBERG. Well, we have a particularly talented inspector general at DOT, and that is one of the things that he spends a lot of time on. I am proud to say he is a pretty rigorous analyst of a lot of our programs, as, by the way, GAO——

Mrs. NAPOLITANO. But is he funded properly to be able do his job, or their job?

Ms. TROTTENBERG. I would say, actually, that the IG is very well-funded. As you all may recall, in the Recovery Act I think he was given $25 million and was able to really staff up. I would say, also, with Hurricane Sandy, he was just given I think it was another $6 million. So, I am sure he testifies in front of this committee from time to time, and you can ask him.

I would also say that we at the Department also spend a lot of time making sure that we are running our programs efficiently. We don't just wait for the IG. We try ourselves to constantly scrub our grant programs and our enforcement programs and make sure that we are operating as efficiently as we possibly can and that there is no wrongdoing and that we are getting good value for taxpayer dollars.

Mrs. NAPOLITANO. Well, appreciate your answers. And thank you for your help in the our latest California saga.

Thank you both.

Thank you, Mr. Chairman.

Mr. PETRI. Representative Hahn requests a second round, and I recognize her.

Ms. HAHN. Thank you for hanging around for my last comment—two comments.

One, I do continue to think that we need to look outside of the gas-tax box, as we go forward, to fund the Highway Trust Fund. I know my colleague from Texas thinks consumers, you know, want to buy the biggest and most gas-guzzling vehicles out there. There is an article in the Wall Street Journal today that talks about incentivizing consumers for electric vehicles by maybe offering them at no cost to get Americans to try out electric vehicles.

So I think there is a move out there to incentivize. I know in Los Angeles we allowed electric vehicles to park for free. We have also—in California, we are allowed to be in the carpool lanes with an all-electric vehicle. So I think that is a trend that is picking up out there.

I just wanted to back up what my Congress colleague from California talked about, the Harbor Maintenance Tax. And you know that is an issue that I am really all about. I think we ought to fully fund it. I think there ought to be some equity and some minimum guarantee to go back to the ports that collect those taxes.

But I am also advocating for a possible use of the Harbor Maintenance Tax to fund transportation projects in our port communities, sort of that last mile. I think as we are coming up with a national freight policy, I think we are really going to be looking at, how do we move goods in this country? And I think one of those is to really—one of the policies hopefully we look at is, how do we fund projects that really enhance goods movement in this country?

So I think if a port has been fully dredged to its authorized level, which is the first use of the Harbor Maintenance Tax, I think there ought to be some allowable usage for that last mile for transportation projects around our Nation's ports.

How important, Madam Secretary, do you think that tool could be for funding transportation projects in and around our port communities?

Ms. TROTTENBERG. I mean, again, I think, obviously—and I know you are a leader on the House PORTS Caucus, and we have gotten to talk to you about this. And you have some colleagues from California, Assemblywoman Bonnie Lowenthal and others, who are part of our National Freight Advisory Committee.

Clearly, these are not easy issues because you are balancing infrastructure needs that the country clearly has with the difficult budget challenges that we face and the administration and you face here in Congress.

I think the good news is, clearly, there is a lot of interest now in freight and in ports. I think we are really going to have a chance to grapple with some of these issues and try and figure out, what do we do? How can we make sure that we are making the critical investments we need to ensure that our country is economically competitive?

Ms. HAHN. It is great that the President will be going to Port of Jacksonville on Thursday. It is his second speech at a port. I am always happy to see him highlight the importance of our Nation's seaports, as it certainly does, I think, really impact our economy and jobs and our competitiveness in this country.

Thank you. I yield back my time.

Mr. PETRI. Thank you.

I would ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers to any questions that may be submitted to them in writing, and unanimous consent that the record remain open for 15 days for additional comments and information submitted by Members or witnesses to be included in the record of today's hearing.

Without objection, so ordered.

Mr. PETRI. And, with that, I thank the witnesses for their testimony, and this hearing is adjourned.

[Whereupon, at 11:46 a.m., the subcommittee was adjourned.]

ELIZABETH H ESTY
5TH DISTRICT CONNECTICUT

COMMITTEE ON
TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON
HIGHWAYS AND TRANSIT
SUBCOMMITTEE ON
RAILROADS, PIPELINES AND HAZARDOUS MATERIALS
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T&I Highways and Transit Subcommittee Hearing
How the Financial Status of the Highway Trust Fund Impacts Surface Transportation Programs
Congresswoman Elizabeth Esty Statement for the Record
July 23, 2013

Thank you, Chairman Petri and Ranking Member Rahall, for holding this important hearing on the Highway Trust Fund.

In Connecticut, we are still struggling to recover from the economic downturn. One of the issues we hear about most often from our small business owners is the importance of being able to ship their goods reliably and in a timely fashion. But many of our highways are overly congested and in need of major repairs. Additionally, according to the American Society of Corrosion Engineers, nearly 10% of our bridges are rated structurally deficient while 25% are considered functionally obsolete.

Congestion and a backlog of repairs results in delays and financial burdens on companies and workers--lost productivity, wasted fuel, dollars, and hours that could otherwise be used to increase U.S. competitiveness and create jobs. In fact, one business owner recently told me how his drivers lose two hours a day sitting in traffic. And on Transform CT, an innovative website where my fellow citizens in Connecticut can pitch their ideas to improve our transportation infrastructure, many people are pleading with our government to widen I-84 around Waterbury and to modernize our interchanges.

I am hoping that as we begin work on a new highway bill, that we come together and remember the profound economic impact our crumbling infrastructure has on the country's economic development and global competitiveness.

Elizabeth H. Esty

Elizabeth H. Esty
Member of Congress

STATEMENT OF
THE HONORABLE NICK J. RAHALL
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT
"HOW THE FINANCIAL STATUS OF THE HIGHWAY TRUST FUND IMPACTS
SURFACE TRANSPORTATION PROGRAMS"
JULY 23, 2013

Mr. Chairman, the sobering testimony the witnesses have submitted should be a wake-up call for Congress and the Administration to step up to address the looming crisis in highway and transit financing.

MAP-21 provided two years of relatively flat funding. While this gave State departments of transportation some assurances to move forward with projects, it simply did not allow the investments necessary to maintain our infrastructure, let alone build what we need to compete in the global economy.

Yet, even this insufficient amount of investment is significantly greater than what the Highway Trust Fund can sustain.

This hearing makes clear that in fiscal year 2015, the Highway Trust Fund will go off a cliff. Stopping this crisis facing the Highway Trust Fund will require action and difficult choices to address this shortfall.

While Washington has avoided the difficult choices, many States have not. States are increasingly coming up with their own plans for raising additional transportation revenues.

Over the legislative years 2010 through 2013, seven States enacted significant transportation revenue-raising measures. This includes a diverse group of States taking steps to increase transportation infrastructure investment by generating additional revenues from a variety of sources.

For instance:

- In February of this year, Wyoming raised its tax on gas and diesel fuels by a whopping 10 cents-per-gallon, from 14 cents to 24 cents. And this is a fairly conservative State;

- Maryland's $4.4 billion six-year package enacted this past March includes indexing the gas tax to inflation, and adding a 3 percent sales tax paid at the pump. Prior to enactment, the State motor fuel gas was 23.5 cents-per-gallon for gasoline. It is estimated that under the package that rate may rise to 43.7 cents-per-gallon by fiscal year 2017; and

- Virginia's $3.5 billion five-year package enacted this past April completely eliminated the State's cents-per-mile gas tax and adds a wholesale tax on gasoline and diesel fuel.

Each of these States was confronted with different challenges, yet each stepped up to begin addressing their infrastructure investment deficits, and made the hard choices on how best to do that.

But the message we should take from this is not that the States can take care of this situation on their own.

Yes, the States must – and are – stepping up, but as we on this Committee know very well, there is a significant Federal role in surface transportation. Unfortunately, over the past several years, we have neglected our responsibilities in this regard.

Mr. Chairman, I thank you for holding this important hearing.

Congressional Budget Office

Testimony

Status of the Highway Trust Fund

Kim P. Cawley
Chief
Natural and Physical Resources Cost Estimates Unit

Before the
Subcommittee on Highways and Transit
Committee on Transportation and Infrastructure
U.S. House of Representatives

July 23, 2013

This document is embargoed until it is delivered at 10:00 a.m. (EDT) on Tuesday, July 23, 2013. The contents may not be published, transmitted, or otherwise communicated by any print, broadcast, or electronic media before that time.

Mr. Chairman, Congressman DeFazio, and Members of the Subcommittee, thank you for the opportunity to testify on the Congressional Budget Office's (CBO's) projections of future spending from the Highway Trust Fund and the agency's estimates of the revenues that will be generated by excise taxes and credited to the fund. According to CBO's estimates, the revenues derived from 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, as adjusted for inflation.[1]

Summary

My testimony today makes three points:

- The current trajectory of the Highway Trust Fund is unsustainable. Starting in fiscal year 2015, the trust fund will have insufficient resources 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. The Congress has enacted an additional transfer of $12.6 billion that is scheduled to occur in 2014. If lawmakers chose to continue authorizing such transfers, they would have to transfer an additional $15 billion in 2015 and increasing amounts in subsequent years to prevent future shortfalls, if spending was maintained at the 2013 level, as adjusted for inflation.

- Lawmakers could also address the projected annual shortfalls by substantially reducing spending for surface transportation programs, by boosting revenues, or by adopting some combination of the two approaches. Bringing the trust fund into balance in 2015 would require entirely eliminating the authority in that year to obligate funds (projected to be about $51 billion), raising the taxes on motor fuels by about 10 cents per gallon, or undertaking some combination of those approaches.

1. 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 will continue to be collected.

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. Receipts from taxes on both types of fuel account for more than 85 percent of all contributions to the Highway Trust Fund.[2] 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.[3] 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 Act (MAP-21; Public Law 112-141) is the most recent authorization for highway and transit programs. (That authorization expires on September 30, 2014.) A total of about $50 billion in contract authority has been provided for fiscal year 2013, and the obligation limitations for this year amount to about $49 billion. MAP-21 provides contract authority of about $51 billion for 2014.

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 obligation; 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 existing obligations far exceed the amounts currently in the fund. For example, at the end of 2012, the total amount of contract authority that had been obligated from the highway account was equal to about two years' worth of excise tax collections. That obligated contract authority totaled about $67 billion at the end of 2012, and tax receipts dedicated to the

2. The other revenues credited to the Highway Trust Fund come from excise taxes on trucks and trailers, on truck tires, and on the use of certain kinds of vehicles.

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

Table 1.

Projections of Highway Trust Fund Accounts Under CBO's May 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	4	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[c]	42	44	45	45	45	46	46	46	47	48	48	48
End-of-year balance	10	5	4	a	a	a	a	a	a	a	a	a
Cumulative shortfall[a]	n.a.	n.a.	n.a.	-7	-18	-28	-39	-49	-61	-73	-85	-97
Transit Account												
Start-of-Year Balance	7	5	3	2	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	9	9	9	9	10	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	-21	-25	-30	-35

Source: Congressional Budget Office.

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

n.a. = not applicable.

a. 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 May 2013 baseline for highway and transit spending, which are projected by adjusting the 2013 limitations for inflation.

b. 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.

c. Sections 40201 and 40251 of Public Law 112-141, 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.

d. Outlays include amounts "flexed," or transferred, between the highway and transit accounts. CBO estimates that those amounts would total about $1 billion annually.

highway account are projected to be about $33 billion a year over the next two years.[4]

Projections of Outlays and Revenues

Since 2000, spending from the Highway Trust Fund has generally outpaced revenue collections, so fund balances have fallen over most of that period.[5] That trend will continue in 2013. According to CBO's estimates, the highway account will end fiscal year 2013 with a balance of $5 billion, compared with a balance of $10 billion at the end of fiscal year 2012 (see Table 1 and Figure 1). Outlays from the highway account will total $44 billion in 2013, while revenues and interest credited to the fund will amount to only $33 billion for the year. To partly bridge that gap, MAP-21 transferred $6 billion from

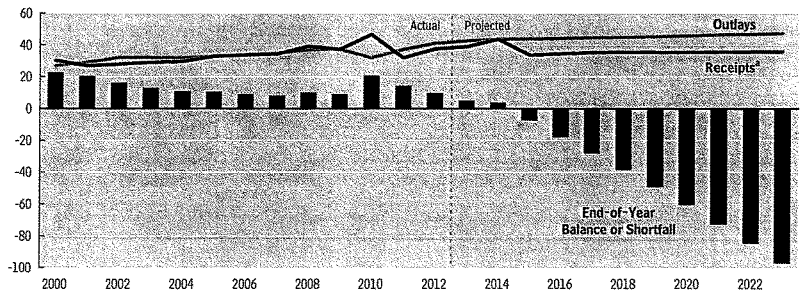
4. In addition, unobligated balances of the highway account equaled about $30 billion, or about one year's worth of excise tax collections.

5. In 2010, the trust fund saw a significant decrease in outlays because states spent funds from the general fund of the Treasury that were appropriated by the American Recovery and Reinvestment Act (ARRA; Public Law 111-5). The ARRA funds required no state contribution or "match," and the same projects that were eligible for funding from the Highway Trust Fund were eligible for ARRA funding.

Figure 1.

Receipts, Outlays, and Balances of the Highway Account

(Billions of dollars)



Source: Congressional Budget Office.

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

a. The receipts line includes revenues credited to the highway account of the Highway Trust Fund and intragovernmental transfers to the account. Those transfers have totaled about $36 billion since 2008. Under a provision of the Moving Ahead for Progress in the 21st Century Act, a transfer of $10.4 billion from the general fund of the Treasury is scheduled for 2014.

the general fund of the Treasury to the highway account in 2013.

The situation with the transit account is similar. 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 interest earnings are projected to amount to $5 billion in 2013, but outlays are expected to total $7 billion.

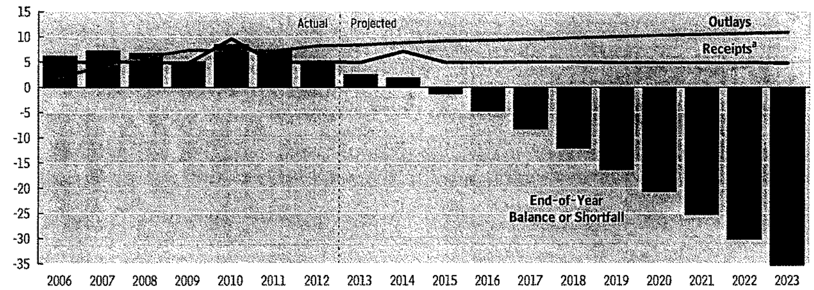
Revenues generated by excise taxes and credited to the Highway Trust Fund are expected to increase from about $38 billion in 2013 to about $41 billion in 2023, an average increase of less than 1 percent per year. Those projections reflect the assumption that taxes dedicated to the Highway Trust Fund will be extended beyond their 2016 expiration date (an assumption incorporated in CBO's baseline projections). The projected slow growth in excise tax revenues is largely attributable to the expectation that annual increases in revenues from taxes on the use of diesel fuel and on truck sales will be partially offset by annual declines in revenues from the tax on gasoline use. Tax revenues from diesel fuel use and from truck sales are projected to increase, on average, by about 3 percent annually over the 2013–2023 period. In contrast, revenues from the tax on gasoline use are projected to decline at an average annual rate of 1 percent over that period. The declines in revenues from the tax on gasoline use are mostly attributable to increases in corporate average fuel economy standards.

Assuming that obligations from the trust 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 and that the shortfalls in the trust fund will grow steadily larger. Under those conditions—in which spending increased at the rate of inflation and revenues showed slower growth—the cumulative shortfalls in the Highway Trust Fund would total about $97 billion for the highway account and about $35 billion for the transit account by the end of 2023, CBO projects. If lawmakers failed to provide funds to liquidate obligations (either through an increase in revenues or through additional transfers from the general fund), the rate of spending from the trust fund would slow, and reimbursement to states for construction costs would be delayed until sufficient tax receipts were credited to the trust fund. Such a slowdown was seen in 2008 when the Department of Transportation (DOT) announced that balances in the

Figure 2.

Receipts, Outlays, and Balances of the Transit Account

(Billions of dollars)



Source: Congressional Budget Office.

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

a. The receipts line includes revenues credited to the transit account of the Highway Trust Fund and transfers to the account from the general fund of the Treasury. Those transfers totaled about $4.8 billion in 2010. Under a provision of the Moving Ahead for Progress in the 21st Century Act, a transfer of $2.2 billion is scheduled for 2014.

highway account had fallen below amounts needed to reimburse states for the bills they presented to the fund.

Transfers From the General Fund to the Highway Trust Fund

Because the trust fund's outlays have tended to outpace its receipts since 2000, lawmakers have at certain times enacted legislation to transfer money from the general 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, a total of $41 billion has been transferred, including $6 billion in 2013; total transfers are scheduled to grow to almost $53 billion by the end of 2014 under the provisions of MAP-21. In 2015, CBO estimates, outlays from the Highway Trust Fund will total more than $53 billion and revenues will total less than $39 billion. As a result, lawmakers would need to transfer another $15 billion to the Highway Trust Fund if they chose to continue funding surface transportation programs at about the level they have in recent years. That transfer would be required to cover a projected cumulative shortfall in the Highway Trust Fund of $9 billion and to maintain cash balances of at least $4 billion in the highway account and between $1 billion and $2 billion in the transit account. DOT has indicated that it needs those cash balances to be readily available in order to pay bills as they come due.[6] Furthermore, general fund transfers would need to total about $15 billion per year through 2018 and would need to grow to about $19 billion annually by 2023 to maintain spending at current levels, as adjusted for inflation.

Options for Addressing Projected Shortfalls in the Trust Fund

Without additional transfers from the general fund of the Treasury or another source, lawmakers will have to reduce future obligations financed through the Highway Trust Fund to well below their 2013 level, significantly increase revenues available to the trust fund, or implement some combination of those options.

6. See Department of Transportation, Office of the Inspector General, *Highway Trust Fund Solvency* (attachment to a letter to the Honorable Judd Gregg, June 24, 2009), http://tinyurl.com/m92pt4l.

If lawmakers addressed the projected shortfalls 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 amounts projected in CBO's baseline. 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, they would need to reduce the authority to obligate funds in 2015 to zero in both the highway and transit accounts.[7] To maintain adequate balances in those accounts in subsequent years, lawmakers would need to cut funding by about one-quarter compared with the amounts projected in CBO's baseline. For example, such a cut would reduce obligations for the Federal-Aid Highway Program from current projections of about $45 billion per year, on average, to about $34 billion per year, on average, from 2016 to 2023.

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.[8] If those excise taxes had been adjusted using the consumer price index, 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, excise taxes on motor fuels dedicated to the Highway Trust Fund are worth about 38 percent less than they were 20 years ago.

According to estimates from staff of the Joint Committee on Taxation, a 1 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.[9] 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, starting in fiscal year 2015.

Of course, many combinations of changes to spending and revenues are possible, depending on policymakers' choices about the amount of transportation spending at all levels of government and the goals of the federal program.[10]

Setting Spending Levels for Future Years

Funding for highway infrastructure ultimately comes either from highway users or from taxpayers, regardless of how the financing of a project is structured. The Congress faces a number of options for setting the level of spending (and revenues generated from those users or taxpayers). In addition to the approaches described above—limiting spending to the amount that is collected in revenues and dedicated to the trust fund or maintaining current spending, as adjusted for inflation—a wide range of options for future spending on highways exists. The ones policymakers select will influence the amount and distribution of economic benefits from the nation's

7. 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. For example, the Federal-Aid Highway Program typically spends about one-quarter of its budgetary resources in the year funds are first made available; to reduce spending in the highway account by $1 billion in the current year, lawmakers would need to reduce the authority to obligate by about $4 billion, CBO estimates. To reduce spending in the transit account by $1 billion in the current year, lawmakers would need to reduce the authority to obligate by between $6 billion and $7 billion, CBO estimates, or by about 80 percent of current program levels.

8. The total gas tax is 18.4 cents per gallon. Of that, 18.3 cents is deposited into the Highway Trust Fund, and 0.1 cent goes to the Leaking Underground Storage Tank Trust Fund. (The Omnibus Budget Reconciliation Act of 1993 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.)

9. 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, which would amount to roughly 25 percent of the estimated increase in excise tax receipts.

10. Federal spending on surface transportation has accounted for about 25 percent of total government spending on transportation since 2008. Over that time, federal spending has accounted for about 40 percent of total capital expenses on surface transportation at all levels of government. Historically, about 60 percent of state and local spending on surface transportation infrastructure has been for operations and maintenance. For more information, see Congressional Budget Office, *Public Spending on Transportation and Water Infrastructure* (November 2010), www.cbo.gov/publication/21902; and 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.

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 in spending than all levels of government spend on an annual basis, according to the Federal Highway Administration (FHWA).
- Funding all highway projects whose benefits exceeded their costs would require even more spending than maintaining current performance—up to $83 billion per year more than current spending by all levels of government, according to FHWA. That amount depends on the extent to which benefits would be expected to exceed costs.

The additional spending needed to meet specific performance goals or to fund projects whose benefits exceeded their costs would be less if highway users paid tolls that varied with congestion. Implementing such a user fee would reduce demand for future spending by providing an incentive to use those roads less during congested periods. Although the size of that reduction is uncertain, FHWA estimates that the spending required to maintain current services or to realize additional benefits from highways could be one-quarter to one-third less than current estimates if congestion pricing was widely adopted.[11] Further, the revenues generated from congestion pricing could be a source of funding from users of the highway system, suggesting that a smaller amount of general revenues could be used to maintain or expand the system.

Of course, gaining the greatest net benefit from any increase in transportation spending would depend critically on whether that spending went to the most advantageous projects. Achieving the greatest net benefit would also depend to a certain degree on whether decision-making about projects occurred at the level of government best situated to weigh all of the costs and benefits regarding which projects to undertake.[12]

11. For a comprehensive discussion of benefits and challenges of congestion pricing, including options for its design and implementation for highways, see Congressional Budget Office, *Using Pricing to Reduce Traffic Congestion* (March 2009), www.cbo.gov/publication/20241. See also, Department of Transportation, Federal Highway Administration, *2010 Status of the Nation's Highways, Bridges, and Transit: Conditions and Performance*, "Chapter 9: Supplemental Scenario Analysis" (2012), www.fhwa.dot.gov/policy/2010cpr/chap9.htm#9.

12. 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.

This testimony and the analysis on which it is based were prepared by Sarah Puro of CBO's Budget Analysis Division. In keeping with CBO's mandate to provide objective, impartial analysis, the testimony contains no recommendations. Loretta Lettner edited the document, and Maureen Costantino prepared it for publication. The testimony is available on CBO's website (www.cbo.gov).

STATEMENT OF
THE HONORABLE POLLY TROTTENBERG
UNDER SECRETARY FOR POLICY
U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE

SUBCOMMITTEE ON HIGHWAYS AND TRANSIT
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES

How the Financial Status of the Highway Trust Fund Impacts Surface Transportation Programs

July 23, 2013

Chairman Petri, Ranking Member DeFazio, and Members of the Subcommittee:

Thank you for the opportunity to appear before you today on behalf of the Obama Administration and Secretary Anthony Foxx to discuss the future of the Highway Trust Fund (HTF or Trust Fund) and its role in supporting our Nation's transportation needs.

Since its inception, the HTF has provided a successful model for funding surface transportation investments. Yet in recent years, investment needs and authorized funding levels have outpaced the available highway-user revenues. As a result, for the past five years, the HTF has come perilously close to being insolvent. Although collectively the Administration and the Congress have successfully used a variety of short-term measures to keep the Trust Fund solvent, we need a more permanent solution.

History

As you know, the Trust Fund was established in 1956 to provide a financially sound, reliable, and consistent approach for funding highway infrastructure, and over time transit and highway safety programs. This funding construct benefited from two key elements. First, by using a "trust fund" mechanism, major decisions about the HTF were decided in multi-year authorization bills rather than through the annual appropriations process. This provided assurances to the States and other grant recipients that resources needed to finance their major projects would be available over a longer time horizon, giving State legislatures and transportation planners confidence to move forward with project development.

A second key element was the establishment of a dedicated funding source. The Trust Fund was created based on the "user pays" principle, in which highway users pay a cents per gallon fuel tax on gasoline and diesel (and eventually gasohol), in addition to other related excise taxes, with revenue dedicated to the HTF. Revenues from the motor fuel tax are deposited into the U.S. Treasury, and in turn are made available to the Trust Fund for expenditures by State highway and transit agencies. In 1956 the gasoline tax rate was 3 cents per gallon and in 1959 it was increased to 4 cents per gallon. In 1982, President Ronald Reagan signed the *Surface Transportation Assistance Act* which raised the gas tax to 9 cents per gallon and expanded the use of the HTF to include a new account to support public transportation. It was at this point that the HTF was divided into the Highway Account and the Mass Transit Account. In 1990, President George H.W. Bush signed the *Omnibus Budget Reconciliation Act* which raised the gas tax by 5 cents, bringing it to 14.1 cents per gallon but with half of the increase going into the General Fund for federal deficit reduction. In 1993, President Bill Clinton signed a bill increasing the tax by 4.3 cents, bringing the total to 18.4 cents per gallon, with the entire increase going into the general Fund for deficit reduction.

Eventually the portions of the gasoline tax reserved for deficit reduction were redirected to the HTF. The initial 2.5 cents for deficit reduction was redirected beginning in October 1995 per the *Omnibus Budget Reconciliation Act of 1993*. The remaining 4.3 cents for deficit reduction were redirected to the HTF per the *Taxpayer Relief Act* of 1997. Of the 18.3 cents dedicated to the HTF, 15.44 cents goes to the Highway Account and 2.86 cents to the Mass Transit Account.

For the first four decades of its existence, the HTF collected interest on unspent balances. The *Transportation Equity Act for the 21st Century* (TEA-21) eliminated that authority effective September 1998. Congress later restored the HTF's ability to earn interest in the Surface Transportation Extension Act of 2010.

Although purchasing power has decreased and construction costs have increased by more than 70 percent over the last two decades, the 18.4 cent gas tax has not been changed since 1993.

Recent Solvency Concerns

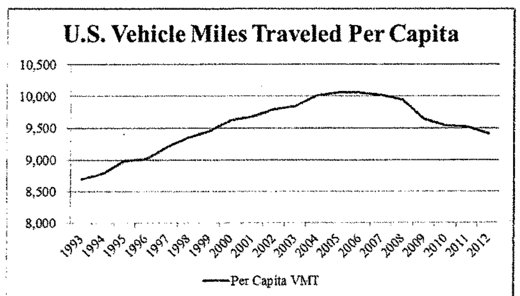
Until 2007, the HTF was generally viewed as an effective model for financing our national surface transportation investments. This mechanism provided funds for needed reinvestment in existing surface transportation infrastructure as well as new construction and expansion. Prior to this time period, the balances in the Highway Account exceeded the projected spending needs by several billion dollars. However, longer-term projections were already showing a downward trend in the Highway Account.

In late Fiscal Year (FY) 2008, the Department of Transportation announced that there was insufficient cash in the Highway Account to fully cover all outstanding bills, with 'bills' primarily referring to reimbursement requests for work States and metropolitan planning organizations had already performed. This was the first the Highway Trust Fund faced a significant cash shortfall in nearly 50 years. The Federal Highway Administration (FHWA) immediately ceased its twice daily bill payments and began to make bill payments once a week. This enabled FHWA to better calculate how much funding was available to pay bills and determine a pro-rata share across the States should insufficient cash be available to pay all of the agency's bills.

Transportation Secretary Mary Peters asked the Congress for additional funds to restore solvency to the Trust Fund, which was provided. The *Amend the Internal Revenue Code of 1986 to Restore the Highway Trust Fund Act* transferred $8.017 billion from the General Fund to the Highway Account of the HTF—an amount sufficient to maintain baseline program levels through the end of FY 2008. While this resolved the immediate shortfall in the Fund, it did not resolve the widening gap between HTF receipts and baseline surface transportation spending. To keep the Fund solvent, through several Acts Congress has cumulatively transferred $54.5 billion in general funds to augment the Trust Fund.

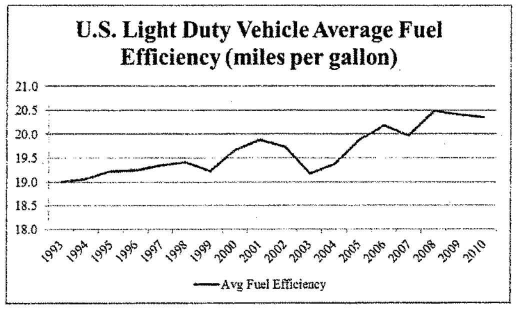
Short and Long Term Factors

A number of converging factors have brought the Trust Fund to its current state: a structural deficit that is not projected to subside. Beginning with sharp increases in fuel prices last decade, the rate of growth of vehicle miles traveled (VMT) declined as Americans began to economize their fuel consumption. This trend was exacerbated by the "Great Recession" in late 2007. Per capita VMT peaked in 2005 and continues to fall. Annual VMT dropped from approximately 3.03 trillion in 2008 to approximately 2.95 trillion as of April 2013.



It is generally recognized that the decline in VMT, and the corresponding decrease in fuel tax revenue between 2007 and 2009, was partially a reflection of fewer people and goods moving on our Nation's highways as economic activity slowed. However, evidence suggests that the flattening or decline of VMT is a long-term trend independent of the recession, as VMT has generally continued to decline annually since 2009 when the economy began to recover.

Two fundamental shifts have occurred that are projected to continue this trend for the foreseeable future. The first is the increased popularity of more fuel efficient vehicles. From the perspective of drivers, fuel efficient vehicles offer a way to reduce costs while also reducing environmental impacts. As proud as we are of our accomplishments on Corporate Average Fuel Economy or CAFE, paradoxically, improvements in fuel efficiency contribute to a reduction in the Trust Fund's resources and our ability to continue improvement of the Nation's transportation system. In 1993, the average gas mileage of a light duty vehicle was 19 miles per gallon; two decades later it has improved by more than 10 percent.



A second fundamental factor is a generational shift in travel preferences in the Millennial Generation and among retiring Baby Boomers. Increasingly these cohorts are moving into mixed-use urban cores where the need for driving is reduced. The 2010 Census saw for the first time more than 80 percent of the population living in urbanized areas. Study after study has shown this market trend to be real and continuing to impact real estate demand. Some choose to get rid of their car for economic reasons, some for social reasons, and some decide to never get a car in the first place.

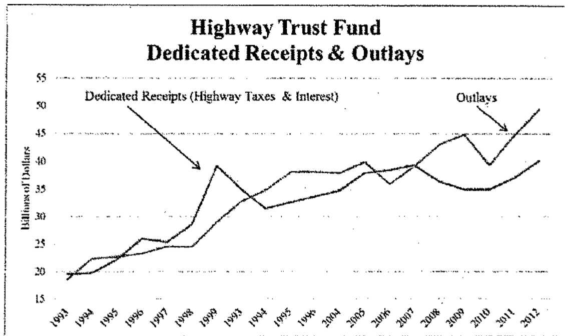
This has also resulted in an increasing demand for alternative forms of transportation, including transit, rail, walking and biking, which has larger policy implications for future transportation planning and investment.

Despite the recent decrease in revenue, authorized surface transportation spending increased, and has continued to increase. Labor and material costs associated with highway construction have generally increased. While some of the increased spending reflects investment in additional projects, we must also recognize that each year that goes by every dollar purchases a little less. A highway built in 2013 simply costs more to plan and construct than a similar one built in 1993. It is not surprising that the contrast between our spending needs and a decline in HTF resources has brought us to this point, even though annual spending has been consistent with baseline estimates.

Current Projections

The President's FY 2014 Mid-Session Review estimates that the Highway Account of the Highway Trust Fund will have a cash balance of $4.6 billion while the Mass Transit Account will have a cash balance of $300 million by the end of FY 2014.

When all these combined factors are considered, our the current data indicates that both the Highway Account and the Mass Transit Account of the Highway Trust Fund will face another shortfall soon after the end of FY 2014. While the timing of the forecasts is subject to change, there is little doubt that another funding shortfall will soon be upon us. Based on our projections, over the next 6 years, there will be a persistent and growing gap.



It is also helpful to understand how funds are awarded and grantees are paid from the Highway and Mass Transit Accounts.

As prescribed by statute, FHWA annually apportions a majority of Federal-aid funding to States through six core formula programs. The funds are provided to each State within funding categories or programs that focus on key areas, such as the National Highway Performance Program, Surface Transportation Program, and Highway Safety Improvement Program. State DOTs are the designated recipients or "grantees" for the funds and oversee decisions regarding the selection of projects for funding and are responsible for ensuring Federal requirements are met, including those for funds eligibility.

Cash is not provided in advance. Based on the notice of funds distribution, a State DOT enters into agreements with the FHWA to commit Federal funds to projects and then subsequently awards contracts to construction companies to do the work.

States rely on prompt payments from the Highway Trust Fund to pay their contractors. FHWA pays grantees the actual eligible expenses incurred on a progress payment basis as the State DOT submits bills to FHWA. Some States bill FHWA every day while others seek reimbursement weekly or semimonthly. The total amount of these payments out of the HTF fluctuates during the fiscal year and can exceed $5 billion in a given month.

Should the Highway Account of the HTF experience a cash shortfall, FHWA would implement established cash management procedures. The exact response would be dependent on the specific situation; however, FHWA may implement some or all of the following procedures depending on the scope and duration of the situation:

- Move from reimbursing State DOTs on a daily basis to a weekly basis.
- Provide partial, pro-rated reimbursements to State DOTs based on cash on hand.
- Align payment frequency with deposits into the Highway Account (twice monthly payments).

Should the shortfall situation continue, FHWA may ultimately make partial payments twice a month, based on the amount of cash deposited into the Highway Account. These deposits would only allow FHWA to cover a fraction of States' reimbursement requests. A reduction in the frequency and amount of reimbursements to State DOTs would have a negative impact on the States' ability to continue their level of infrastructure investment, including critical safety and state of good repair projects, and repayment of debt.

Briefly, the Federal Transit Administration (FTA) formula funds are apportioned each year to urbanized areas and rural areas based on statutory requirements like population and the level of transit service (vehicle revenue miles) reported to FTA. There are approximately 800 urban transit providers and more than 1,300 rural transit providers who receive or benefit from FTA funding.

Once funds are apportioned, transit grantees submit grant applications to FTA identifying projects that will be funded. FTA then approves the grants, which authorizes grantees to be reimbursed for eligible project expenses on a rolling basis. The amount of these payments fluctuates during the fiscal year and can be as high as $1 billion in a given month.

Given the estimated shortfall in the Mass Transit Account, FTA estimates that a $1 billion "cash cushion" must be maintained to ensure that it will have sufficient cash-on-hand at all times to pay grantees. If the balance in the Mass Transit Account falls below $1 billion, FTA will have to implement cash management procedures and – at that point in time when there is insufficient cash to pay its bills – will slow down payments to grantees to stretch out the available cash-on-hand.

The continued long-term solvency of the HTF impacts all FTA grantees, especially those is smaller and rural communities. A large number of FTA's 1,300 rural transit providers would be profoundly impacted by a sudden shortfall in funding due to the significant federal contribution involved in these projects. For example, Grand Gateway Economic Development Association serving Big Cabin, Oklahoma relied on more than $2.5 million from FTA in 2012 alone, which was 59.8 percent of the transit agency's annual budget. And in South Carolina, Waccamaw Regional Transportation Authority received more than $3.3 million in 2012 – nearly 53 percent of that agency's annual budget. And, Flagstaff, Arizona's Northern Arizona Intergovernmental Public Transportation Authority received just shy of 58 percent of its annual budget from FTA.

Looking Forward

The need for investment in our Nation's surface transportation system is obvious to all of us. The 2010 Conditions and Performance Report, estimated that maintaining the Nation's highway system, and improving it to meet future demand, would require that all levels of government combined increase capital investments from $91 billion currently spent to $170 billion annually over a 20-year period.

The same 2010 report estimates that achieving a state of good repair for the nation's transit systems, while accommodating future ridership growth over a 20-year period, requires an annual increase in capital investments from $16 billion currently spent to between $21 billion and $25 billion. Both of these investment need estimates do not take into account operations and maintenance costs, and are based on 2008 data. The Department is currently preparing a new Conditions and Performance report which will contain updated investment need figures.

The Administration has consistently proposed groundbreaking commitments to not only expand transit options for Americans, but just as importantly, maintain our transit systems in a state of good repair. A September 2010 FTA study found that the nation's transit systems, including bus systems, have a $78 billion backlog of assets in marginal or poor condition and that our nation's transit systems will require an estimated $14.4 billion annual investment to continue to maintain a state of good repair once that backlog is addressed.

In his fiscal year 2014 budget proposal, President Obama proposed a bold $50 billion "Fix-it-First" initiative to spur economic investment and to rebuild America's transportation network. The President proposed $9 billion in upfront investments for critical transit infrastructure investments, including $6 billion specifically to address transit state of good repair needs.

The state of good repair of our public transit network is a matter of safety, efficiency, and reliability. If we do not make the tough decisions now, we will be compromising the safety of our riders and the strength of our economy as the movement of people and goods slows.

Looking forward, we have an opportunity to arrive at a solution that will ensure that the Trust Fund has the capacity to meet these long-term investment needs.

Administration Proposed Funding Solutions

Improving our highway and transit infrastructure provides jobs, benefits our citizens, our businesses, our economy, and our way of life. Finding a solution that acknowledges all of these factors should be our collective goal.

Ultimately, we need to keep in mind that any additional resources provided to the Trust Fund – either from Trust Fund taxes or from General Fund taxes – are paid for by the American people. Therefore, it is critical that we maximize the efficiency of our current investments. This will ensure we are getting the most bang for our buck and will demonstrate good stewardship of scarce public funds. And we must be vigilant about not only pursuing cost savings in project delivery and program management, but also through enhancing the capacity and throughput of existing transportation facilities through better use of innovation, technology and operational improvements.

Over the past five years, a variety of solutions have been offered to help keep the Trust Fund solvent, but none have yet been universally embraced as a long-term solution. The Obama Administration looks forward to working with Congress and transportation stakeholders throughout the country to find a bipartisan solution to this urgent challenge.

Thank you. I am happy to answer any questions you may have.

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Statement of

The American Society of Civil Engineers

On How the Financial Status of the Highway Trust Fund Impacts Surface Transportation

United States House of Representatives

Committee on Transportation & Infrastructure

July 23, 2013

The American Society of Civil Engineers (ASCE)[1] would like to commend the House Transportation and Infrastructure Committee for holding a hearing on the financial status of the Highway Trust Fund. Federal revenues supporting the Highway Trust Fund have not been adjusted since 1993; however, demands on the system continue to grow. As a result, current levels of highway and public transportation investment cannot be maintained solely with trust fund resources and Congress has had to rely on the General Fund to shore up resources.

ASCE strongly urges Congress to identify a long-term funding solution for the nation's surface transportation programs in order to guarantee increased revenues for the 2014 reauthorization bill. While MAP-21 reformed the federal highway and transit program, Congress was only able to cobble together two years of funding, meaning the long-term certainty that the program requires for construction projects was not provided. Holding a hearing on the sustainability of the trust fund and assessing what the impacts are to the nation's roads, bridges, and public transportation systems is an important first step.

A Diminishing Highway Trust Fund

Since the creation of the Interstate Highway System in 1956, the Highway Trust Fund has been supported by revenue collected from road users. This "pay-as-you-go" system has served the nation well over the past half a century, allowing States to plan, construct, and improve the surface transportation network. Additionally, the reliable stream of user-supplied revenue has been critical to the legislative process, because it has enabled Congress to guarantee the availability of multi-year funding to States..

The federal gas tax has not been changed in twenty years, creating a revenue shortfall that increases each year and which has been exacerbated by the weak economy. Currently, the Highway Trust Fund is allocating more than the revenues it receives, with the trust fund allocating $15 billion more in 2012 alone. However, the problems that the Highway Trust Fund have experienced over the past five years pale in comparison to the 10 year shortfall projected by the Congressional Budget Office (CBO).

The Congressional Budget Office recently projected that to prevent a massive shortfall for highway and transit spending in 2015, Congress will need to severely cut highway spending by 92%, transfer $14 billion to the Highway Trust Fund from the General Fund, raise the federal gas tax by at least 10 cents per gallon, or implement some combination of the three. If nothing is done to make the Highway Trust Fund solvent, forecasts show that the fund will be insolvent by October 2014, which would cut annual federal highway investment from $41 billion to $6 billion and annual transit investment from $11 billion to $3 billion. On the other hand, if current revenue and spending rates remain unchanged, the shortfall would exceed $100 billion by 2023. This is an unacceptable path.

Establishing a sound financial foundation for future surface transportation expansion and preservation must be an essential part of a reauthorization. Despite increased funding levels in the Transportation Equity Act for the 21st Century (TEA-21), the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), and Moving Ahead for Progress in the 21st Century

[1] ASCE was founded in 1852 and is the country's oldest national civil engineering organization. It represents more than 146,000 civil engineers individually in private practice, government, industry, and academia who are dedicated to the advancement of the science and profession of civil engineering. ASCE is a non-profit educational and professional society organized under Part 1.501(c) (3) of the Internal Revenue Code. www.asce.org

(MAP-21), the nation's surface transportation system requires even more investment. The current spending of $91 billion per year, from all levels of government, for highway capital improvements is well below the estimated $170 billion needed annually to improve conditions.

The Federal Transit Administration (FTA) estimates a maintenance backlog of nearly $78 billion needed to bring all transit systems up to a state of good repair. Demand for freight rail transportation is projected to nearly double by 2035 requiring an estimated $148 billion in improvements to accommodate the projected rail freight demand increase. With funding as the cornerstone of any attempt to authorize the nation's surface transportation programs, it is imperative that a variety of funding issues be advanced as part of an overall strategy.

ASCE supports a reliable, sustained user fee approach to building and maintaining the nation's highways and transit systems and believes that all funding and financing options should be considered by Congress. In recent years the Simpson-Bowles Commission and the Gang of Six on the National Debt have each come to the conclusion that additional user-based revenue to needed, with each suggesting an increase in the gas tax. However, a full range of options must be considered within the context of reauthorization, but also in the context of a broader tax reform package.

An Aging Infrastructure System

While revenue for the Highway Trust Fund continues to fall short, the current lack of infrastructure investment has also weakened or nation's surface transportation system, as well as critical industries and construction employment. Our inability to keep our infrastructure efficient undermines the U.S. competitiveness and economic strength.

ASCE's *2013 Report Card for America's Infrastructure* graded the nation's infrastructure a "D+" based on 16 categories and found that the nation needs to invest approximately $3.6 trillion by 2020 to maintain the national infrastructure in good condition. The following are the grades and the investment needs by 2020 for the surface transportation area:

- Bridges received a grade of C+;
- Transit received a D;
- Roads received a grade of D, and combined with bridges, and transit, have an estimated investment need of $1.7 trillion; and
- Rail received a grade of C+ and has an estimated investment need of $100 billion.

While taken for granted by most Americans, our infrastructure is the foundation on which the national economy depends. While the Interstate Highway System is a shining example of a focused national vision for the nation's infrastructure, an ever expanding population and a growing economy requires these aging infrastructure systems to keep pace. Deteriorating and aging infrastructure is not only an inconvenience, it financially impacts our families, local communities, and our entire country.

In an effort to see how significant investments are to the nation's infrastructure, ASCE released a series of economic studies that answer a critical question – what does a "D+" mean for America's economy and what is the return on investment we can expect to see. In 2011, ASCE released the study that measures the potential impacts to the economy in 2020 and 2040 if the nation merely maintains current levels of surface transportation investments.

The study, *Failure to Act: the Economic Impact of Current Investment Trends in Surface Transportation Infrastructure*, found that if investments in surface transportation are not made, families will have a lower standard of living, businesses will be paying more and producing less, and our nation will lose ground in a global economy. The nation's deteriorating surface transportation will cost the American economy more than 876,000 jobs, and suppress the growth of the country's GDP by $897 billion in 2020.The study also estimates that more than 100,900 manufacturing jobs will be lost by 2020. Ultimately, Americans will also get paid less. While the economy will lose jobs overall, those who are able to find work will find their paychecks cut because of the ripple effects that will occur through the economy. In contrast, a study from the Alliance for American Manufacturing shows that roughly 18,000 new manufacturing jobs are created for every $1 billion in new infrastructure spending.

Failure to Act also shows that failing infrastructure will drive the cost of doing business up by adding $430 billion to transportation costs in the next decade. Firms will spend more to ship goods, and the raw materials they buy will cost more due to increased transportation costs. Productivity costs will also fall, with businesses underperforming by $240 billion over the next decade; this in turn will drive up the costs of goods. As a result, U.S. exports will fall by $28 billion, including 79 of 93 tradable commodities. Ten sectors of the U.S. economy account for more than half of this unprecedented loss in export value – among them key manufacturing sectors like machinery, medical devices, and communications equipment. On the contrary, most of America's major economic competitors in Europe and Asia have already invested in and are reaping the benefits of improved competitiveness from their infrastructure systems.

Therefore, by improving the nation's deteriorating infrastructure system both economic and job creation opportunities will be provided, however first Congress will need to identify additional revenue for the Highway Trust Fund.

Increasing Revenue for the Highway Trust Fund to Provide Adequate Infrastructure Investment

While the federal gas tax is an important element of the current revenue stream feeding the Federal Highway Trust Fund, it should be just one of many options considered. While in the short term an increase in the gas tax might be the simplest way to quickly infuse the Highway Trust Fund with additional revenue, it might not be the best method for long term viability. ASCE supports a three step process to remedy this condition. First, raise the motor gas tax in the immediate term through a broader tax reform package. This would provide a much needed infusion of funding. In tandem with raising the motor fuels user fee, ASCE believes that it is important to shore up the weakness of the motor fuels user fee and its inability to retain value over the long term by adding a provision to the law that would index it based on the Consumer Price Index (CPI). This would allow the rate to adjust, thus reflecting the current economic conditions of the nation. Finally, motor fuels other than gasoline (diesel, ethanol, bio-diesel, etc.) must be taxed in a manner equitable to the gasoline user fee, while other revenue sources are also examined.

Long-term Viability of Fuel Taxes for Transportation Finance

ASCE supports the need to address the issue of future sources of revenue for surface transportation funding. Congress should allow for the exploration of the feasibility of the most promising funding options that will ensure the viability of the Trust Fund. In particular, the impacts of increased fuel efficiency and alternate fuel technologies such as fuel cells should be studied. A mileage-based system for funding our nation's surface transportation systems also needs further study, and the recommendation of the National Surface Transportation Infrastructure Financing Commission calling for a transition to a mileage-based user fee system must be considered. A federal effort to follow up on the work done in Oregon should be executed to determine the practicality of such a program. This data will be critical in determining how to generate Trust Fund revenue as the nation's dependence on gasoline as a fuel source for automobiles is reduced.

Innovative Financing

Innovative financing techniques can greatly accelerate infrastructure development and can have a powerful economic stimulus effect compared to conventional methods. However, it must be recognized that innovative financing is not a replacement for new funding. ASCE supports innovative financing programs and the use of public-private partnerships and advocates making programs available to all states where appropriate. Additionally, the federal government should make every effort to develop new programs. These types of programs include the Transportation Infrastructure Finance and Innovation Act, National and State Infrastructure Banks, and Grant Anticipation Revenue Vehicles. It should be noted, however, that innovative financing does not produce revenue, and should not be seen as an alternative to increasing direct user fee funding of surface transportation infrastructure.

Conclusion

Transportation infrastructure is the critical engine supporting the nation's economy, national security, and public safety. It is the thread which knits the country together. To compete in the global economy, improve our quality of life and raise our standard of living, we must successfully rebuild America's public infrastructure. Faced with that task, Congress must continue to fund surface transportation projects and should approve a long-term Highway Trust Fund revenue solution to complement Moving Ahead for Progress in the Twenty-First Century's (MAP-21) policy reforms before the law expires in September 2014. This long overdue combination would maximize the ability of federal resources to build and maintain a national surface transportation network that boosts economic competitiveness and job creation.

ASCE looks forward to working with the Committee as it develops additional revenue for the Highway Trust Fund and begins work to reauthorize surface transportation programs.

Commercial Vehicle Safety Alliance

promoting commercial motor vehicle safety and security

WRITTEN COMMENTS FOR THE RECORD

SUBMITTED BY

THE

COMMERCIAL VEHICLE SAFETY ALLIANCE

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

ON

"HOW THE FINANCIAL STATUS OF THE HIGHWAY TRUST FUND IMPACTS SURFACE TRANSPORTATION PROGRAMS"

JULY 23, 2013

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On behalf of the Commercial Vehicle Safety Alliance (CVSA), I submit the following comments for the record. CVSA is an international organization representing state, provincial, and federal officials responsible for the administration and enforcement of commercial motor carrier safety laws in the United States, Canada and Mexico. We work to improve commercial vehicle safety and security on the highways by bringing federal, state, provincial and local truck and bus regulatory, safety and enforcement agencies together with industry representatives to solve problems. Every state in the United States, all Canadian provinces and territories, the country of Mexico, and all U.S. territories and possessions are CVSA members. The ultimate objective of CVSA is to save lives.

As Congress examines the impacts of the Highway Trust Fund (HTF) on surface transportation programs and discusses how best to provide adequate funding, much of the conversation will likely focus on the infrastructure investment issue. However, it is also critical for Congress to consider the impacts of the HTF's financial status on the safety and enforcement programs funded by the account.

One such program is the Motor Carrier Safety Assistance Program (MCSAP). The Federal government entrusts the States with the responsibility of enforcing the Federal Motor Carrier Safety Regulations (FMCSRs) and the Hazardous Materials Regulations (HMRs) and, for that purpose, Congress provides funding to the States, through the MCSAP. The States use funds through the MCSAP to conduct enforcement activities, train enforcement personnel, purchase necessary equipment, update software and other technology, and conduct outreach and education campaigns to raise awareness related to commercial motor vehicle (CMV) safety issues. The MCSAP pays the salaries of more than 12,000 part time and full time CMV safety professionals. Those people conduct more than 3.4 million CMV roadside inspections, 34,000 new entrant safety audits, and 6,000 compliance reviews each year.[1]

The benefits of the MCSAP are well documented and every dollar invested in the State programs yields a big return for taxpayers. According to research and figures from the Federal Motor Carrier Safety Administration (FMCSA), CVSA estimates that the MCSAP has an estimated benefit to cost ratio of 18:1. Every roadside inspection conducted yields an estimated $2,400 in safety benefits. And, of course, effective enforcement of the FMCSRs helps save lives every day, keeping dangerous vehicles and unqualified drivers off the nation's roads. In 2001, the number of registered large trucks and buses was just over 8.6 million. Since then, that number has grown 35 percent, to 11.6 million in 2010. Despite this increase in the number of CMVs on the roads, the number of fatalities due to crashes involving large trucks and buses has gone down 27 percent. The number of CMV crash-related injuries also

[1] *Federal Motor Carrier Safety Administration 2012-2016 Strategic Plan*. Federal Motor Carrier Safety Administration. May 2012. http://www.fmcsa.dot.gov/documents/STRATEGIC-PLAN/FMCSA_StrategicPlan_2012-2016.pdf.

decreased over that time frame by 30 percent.[2] These improvements in CMV safety were achieved, in part, through investments in the MCSAP.

According to a report completed for FMCSA in 2007, the average 'cost' (including wages and benefits) of a State safety inspector was estimated at $66,052.51.[3] This means that for every $1 million invested in the MCSAP, 15 jobs are created or maintained. Conversely, every $1 million reduction in MCSAP funding results in jobs lost or positions unfilled at the State level. When States see a reduction in their MCSAP funding, resulting in jobs lost, their programs are reduced and fewer inspections, compliance reviews and safety audits are conducted, reducing the safety benefit of such activities discussed above and undermining years of improvement in CMV safety.

In order to maintain this downward trend in CMV crashes and fatalities, the MCSAP must be adequately funded. According to FMCSA, the agency regulates approximately 500,000 active interstate motor carriers, including 12,000 passenger carriers, and seven million active commercial driver licensees (CDL holders). The State and Local agencies that receive MCSAP funding are responsible for ensuring that those 500,000 motor carriers are operating safely. Furthermore, the CMV enforcement landscape is constantly evolving and changing as Congress and FMCSA work to refine and improve the FMCSRs. The most recent transportation bill, MAP-21, included several promising improvements to CMV safety, such as more stringent standards to become a motor carrier, registration requirements, etc. The States, along with FMCSA, will be tasked with implementing and enforcing these changes.

With a growing industry, and new and improved regulations and requirements, it is imperative that the States receive the funds necessary to effectively carry out their mission. Funding for the MCSAP should be increased, in order to keep pace with the growing CMV industry and the responsibilities associated with regulating it. Further, at the very least, moderate increases in funding levels are necessary to keep pace with inflation, as stagnant funding levels result in decreased buying power year to year.

In particular, it is imperative that adequate funds be made available for the States to conduct the necessary training for new personnel, as well as refresher courses for existing personnel. Training is critical to a uniform, effective program. In addition to the training required initially for every new employee, each new rule or change to regulation requires additional training to bring enforcement personnel up to date. Each new exemption provided to industry and the various advancements in vehicle technology also require training. Simply put, enforcement personnel need to understand the rules they're asked to enforce. Funds are required for instructors, the development of training materials, and travel to training courses.

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[2] *Large Truck and Bus Crash Facts 2010: Final Version,* FMCSA-RRA-12-023. Federal Motor Carrier Safety Administration. August 2012. http://www.fmcsa.dot.gov/facts-research/LTBCF2010/LargeTruckandBusCrashFacts2010.aspx#chap1.
[3] *Roadside Inspection Costs.* Federal Motor Carrier Safety Administration. October 2007. http://www.fmcsa.dot.gov/facts-research/research-technology/report/Roadside-Inspection-Costs-Oct2007.pdf

Highway Trust Fund revenues fund a great deal more than the building and maintenance of infrastructure. State agencies across the country are responsible for ensuring that the vehicles traveling on these roadways are being operated safely and in compliance with all Federal and State rules and regulations. It is important that the State safety and enforcement programs be part of the discussion as Congress considers HTF funding. Finding sustainable, long-term revenue sources to address the Highway Trust Fund solvency is critical, in order to ensure stability for the MCSAP.

About CVSA:

CVSA is an international not-for-profit organization comprising local, state, provincial, territorial, and federal motor carrier safety officials and industry representatives from the United States, Canada, and Mexico. Its mission is to promote commercial motor vehicle safety and security by providing leadership to enforcement, industry and policy makers. The Alliance actively monitors, evaluates, and identifies solutions to potentially unsafe transportation processes and procedures related to driver and vehicle safety requirements most often associated with commercial motor vehicle crashes. In addition, CVSA has several hundred associate members who are committed to helping the Alliance achieve its goals; uniformity, compatibility and reciprocity of commercial vehicle inspections, and enforcement activities throughout North America by individuals dedicated to highway safety and security. For more on CVSA, visit www.cvsa.org.

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July 23, 2013

The Honorable Thomas E. Petri
Chairman
House Transportation and Infrastructure
Highways and Transit Subcommittee
B-376 Rayburn Building
Washington, DC 20515

The Honorable Peter A. DeFazio
Ranking Member
House Transportation and Infrastructure
Highways and Transit Subcommittee
B-375 Rayburn Building
Washington, DC 20515

The Honorable Bill Shuster
Chairman
House Transportation and Infrastructure Committee
2165 Rayburn Building
Washington, DC 20515

The Honorable Nick J. Rahall II
Ranking Member
House Transportation and Infrastructure Committee
2163 Rayburn Building
Washington, DC 20515

Dear Chairmen Petri and Shuster and Ranking Members DeFazio and Rahall:

Thank you for holding today's hearing, entitled "How the Financial Status of the Highway Trust Fund Impacts Surface Transportation Programs." Because domestically-produced cement is an essential material in the development of our national transportation system, the Portland Cement Association (PCA) shares your interest in strengthening the Highway Trust Fund and promoting its sustainability.

The United States must invest more in our national infrastructure to facilitate economic growth and create jobs. While Congress has rightfully focused much of its attention on ways to replenish dwindling infrastructure coffers, it is equally important to pursue practices that will maximize the value of limited federal resources. One such practice is the use of life-cycle cost analysis (LCCA), an engineering economic tool that allows transportation officials to quantify the future costs of alternative investment options for infrastructure projects. The use of LCCA improves the decision-making of transportation officials by examining the durability and long-term maintenance costs of various pavement and bridge construction options. This ensures projects are constructed in the most cost-effective manner, saving tax dollars upfront and over time.

Certainly, 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." GAO's report, completed in June 2013, provides key insights into how we can improve the planning process so that limited dollars go farther and are spent wiser. As the report notes, there is inconsistency in how states use life-cycle cost analysis (LCCA). The report goes on to say that "by better incorporating best practices in [FHWA] guidance, FHWA could help states produce credible and accurate cost estimates and make more cost effective federal-aid highway fund investment decisions."[1]

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[1] "Improved Guidance Could Enhance States' Use of Life-Cycle Cost Analysis in Pavement Selection," U.S. Government Accountability Office, http://www.gao.gov/assets/660/655163.pdf

As the Committee considers the impact of the HTF on surface transportation programs, PCA encourages you to also examine how we can strengthen assistance to states with regard to their planning and spending decisions.

PCA looks forward to working with you and Members of the Committee on this important issue.

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

cc: Members of the Transportation and Infrastructure Committee