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For More Information:
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703/548-3118 (AGC)

Enough is Enough: Fix the Highway Trust Fund

The Highway Trust Fund (HTF) was established in 1956 to support federal investments to improve the nation's surface transportation network. Its primary source of revenue is the federal motor fuels excise, which was last increased in 1993.

Seven Years of Uncertainty

Congress recognized in 2005 a static trust fund revenue base could not sustain future federal highway and public transportation investments and created two separate commissions to provide recommendations to stabilize these investments. Despite acknowledging the problem, Congress has not acted to solve it. Instead the following short-term measures have been enacted over the last eight years:

- 2008: $8 billion General Fund transfer to the Highway Trust Fund;
- 2009: $7 billion General Fund transfer to the Highway Trust Fund;
- 2010: $19.5 billion General Fund transfer to the Highway Trust Fund;
- 2012: $18.6 billion transfer to the Highway Trust Fund, primarily offset by changes in federal pension requirements; and
- 2014: $10.8 billion transfer to the Highway Trust Fund, primarily offset by changes in federal pension requirements.

While these stop gap measures have preserved needed federal highway and public transportation investments and hundreds of thousands of jobs, the resulting seven years of uncertainty have disrupted state transportation improvement programs. Furthermore, repeated threats of shutting down federal funding—which supports on average 52 percent of all state highway and bridge capital improvements—undercuts private sector firms' ability to make new investments in personnel and equipment.

The U.S. Department of Transportation projects the Highway Trust Fund is now facing a sixth revenue crisis. Absent enactment of legislation generating new trust fund revenues, the department will begin rationing reimbursements to states in July for federal-aid work already underway and the trust fund would be unable to meet its obligations in September.

Temporary, Short-Term Fixes are Not a Solution

A multi-year reauthorization of the federal highway and transit programs will not be enacted until Congress develops a long-term Highway Trust Fund revenue solution. The Highway Trust Fund should be permanently strengthened by continuing the user fee based system that makes direct beneficiaries pay for surface transportation improvements. These user fees should be adjusted to at least restore the trust fund's buying power to its 1993 level. Appropriate fees should be levied on goods movement, transportation-related activities as well as vehicles that are fueled with alternative sources not currently subject to federal user fees. Fees linked to motor vehicle usage such as a fee based on vehicle miles traveled, a sales tax on fuel sales, wholesale motor fuel fee, fuel production taxes and fees, fees on natural gas used for transportation and others are all viable options.

The attached document provides details regarding alternatives to deliver the transportation system that the U.S. needs without deficit financing.


$1 invested
Federal Highway
Trust Fund (HTF)
Cheque
returns 74 cents
in tax revenue
Every $1 invested through the federal Highway Trust Fund (HTF) in state highway, bridge and public transit infrastructure programs returns 74 cents in tax revenue.
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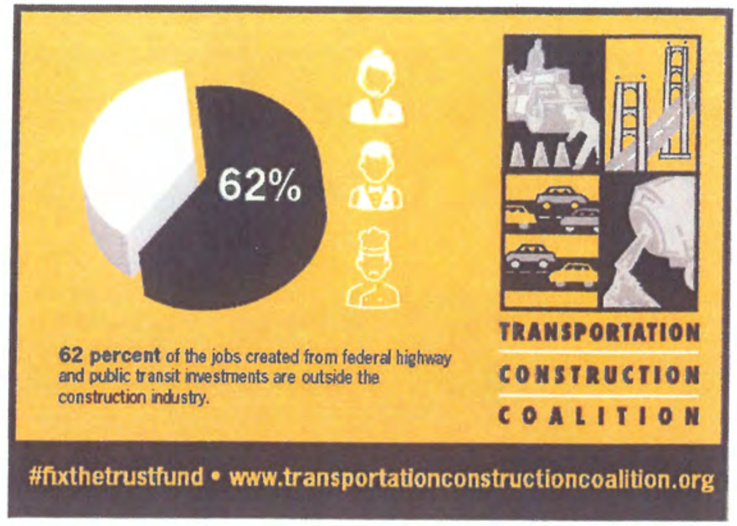
62%
62 percent of the jobs created from federal highway and public transit investments are outside the construction industry.
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Over
1/3 of all jobs
created from federal highway and public transit investments are in service industries like business, education, health and leisure, and hospitality.
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$50 billion annual investment generates
$31 billion
in personal income tax receipts
Current federal highway and public transit investment, which is about $50 billion annually, generates an average $31 billion in personal income tax receipts per year.
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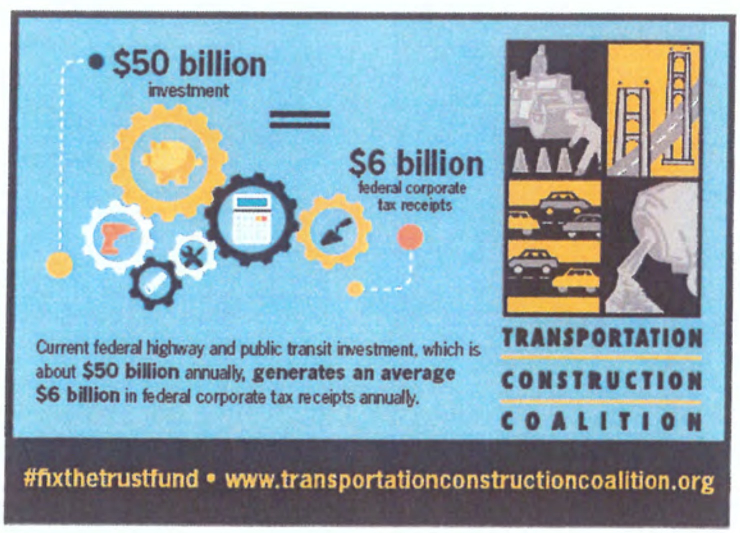
$50 billion
investment
$6 billion
federal corporate
tax receipts
Current federal highway and public transit investment, which is about $50 billion annually, generates an average $6 billion in federal corporate tax receipts annually.
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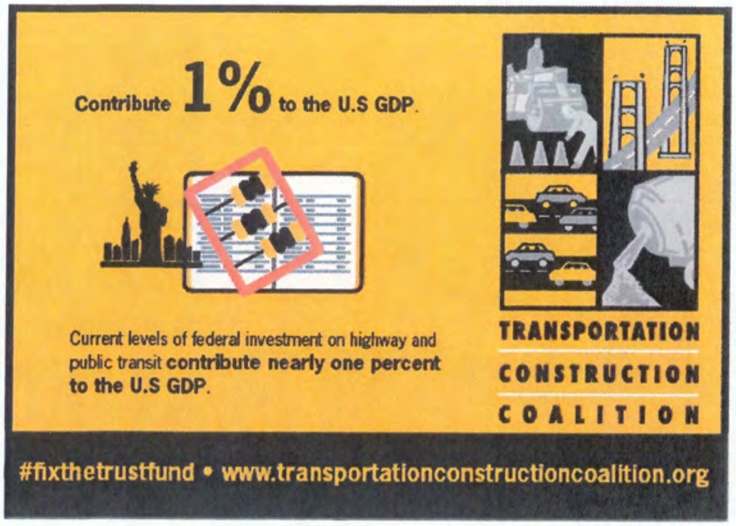
Contribute 1% to the U.S GDP.
Current levels of federal investment on highway and public transit contribute nearly one percent to the U.S GDP.
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Every $1
in federal highway and mass transit investment increases the nation's GDP
between $1.80 to $2.00.
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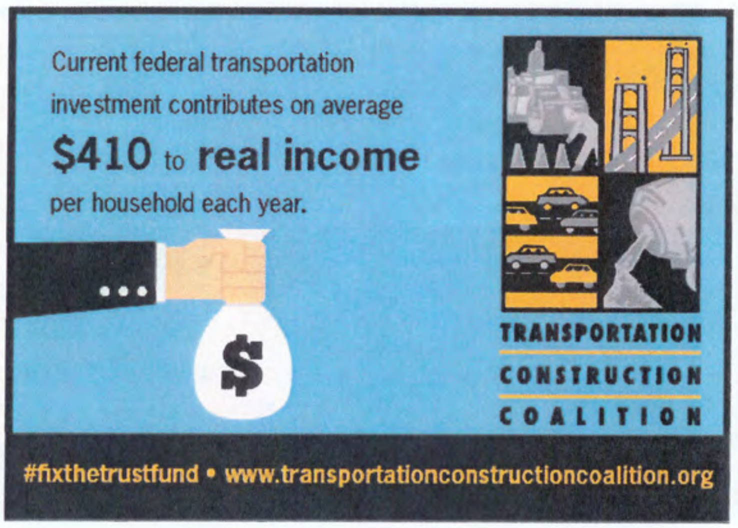
Current federal transportation investment contributes on average
$410 to real income
per household each year.
$
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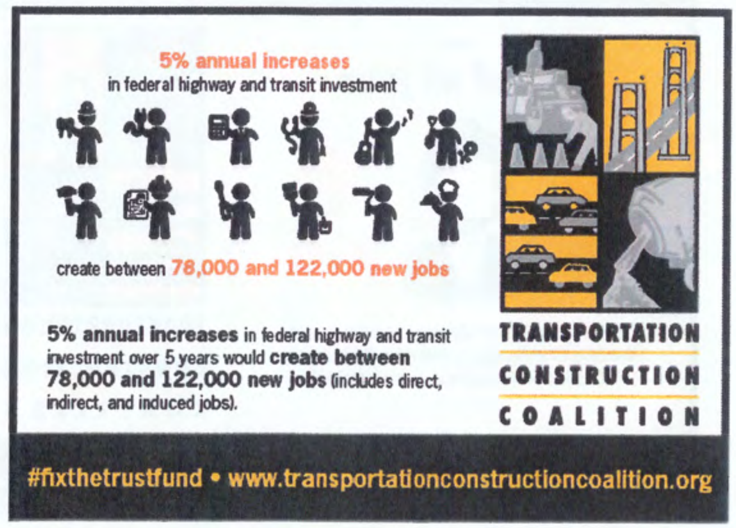
5% annual increases
in federal highway and transit investment
create between 78,000 and 122,000 new jobs
5% annual increases in federal highway and transit investment over 5 years would create between 78,000 and 122,000 new jobs (includes direct, indirect, and induced jobs).
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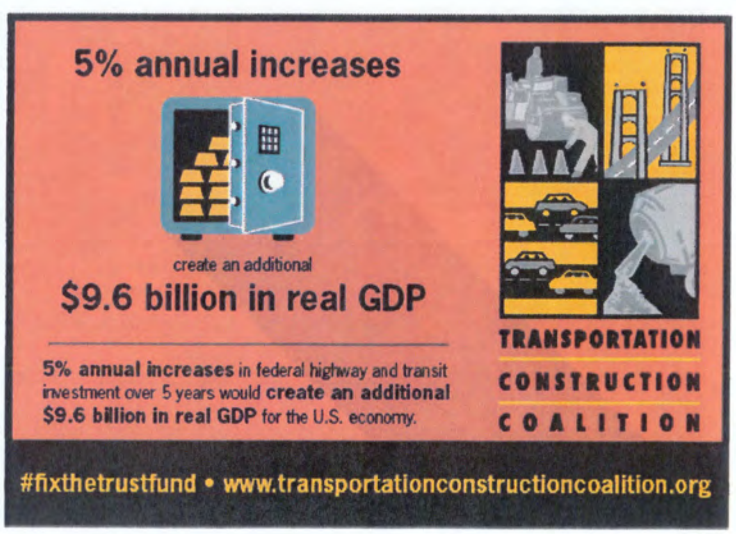
5% annual increases
create an additional
$9.6 billion in real GDP
5% annual increases in federal highway and transit investment over 5 years would create an additional $9.6 billion in real GDP for the U.S. economy.
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KEY FACTS ABOUT COLORADO'S SURFACE TRANSPORTATION SYSTEM AND FEDERAL FUNDING

April 2015

Roads and highways are the backbone of the U.S. transportation system, allowing Americans to travel more than 2 trillion miles annually. But conditions on the system are deteriorating, as the need for transportation improvements far outpaces the amount of state and federal funding available. As Colorado and the nation rebound from the recession, making needed improvements to roads, bridges and public transit could provide a significant boost to the state's economy by creating jobs and stimulating long-term economic growth as a result of enhanced mobility and access.

Signed into law in July 2012, MAP-21 (Moving Ahead for Progress in the 21st Century Act), has improved several procedures that in the past had delayed projects, MAP-21 does not address long-term funding challenges facing the federal surface transportation program. In July 2014 Congress approved the Highway and Transportation Funding Act of 2014, an eight-month extension of the federal surface transportation program, on which states rely for road, highway, bridge and transit funding. The program, initially set to expire on September 30, 2014, will now run through May 31, 2015. In addition to extending the current authorization of the highway and public transportation programs, the legislation will transfer nearly $11 billion into the Highway Trust Fund (HTF) to preserve existing levels of highway and public transportation investment through the end of May 2015. Congress will need to pass new legislation prior to the May 31 extension expiration to ensure prompt federal reimbursements to states for road, highway, bridge and transit repairs and improvements.

Federal Funding for Our Nation's Surface Transportation System Generates Jobs; Making Needed Highway Improvements Assures Economic Recovery and Growth

- Enhancing critical transportation assets will boost the economy in the short-term by creating jobs in construction and related fields. In the long-term these improvements will enhance economic competitiveness and improve the quality of life for the state's residents and visitors by reducing travel delays and transportation costs, improving access and mobility, improving safety, and stimulating sustained job growth.

- The 2015 AASHTO Transportation Bottom Line Report found that annual investment in the nation's roads, highways and bridges needs to increase from $88 billion to $120 billion and from $17 billion to $43 billion in the nation's public transit systems, to improve conditions and meet the nation's mobility needs. The report also found that the current backlog in needed road, highway and bridge improvements is $740 billion.

- The Federal Highway Administration estimates that each dollar spent on road, highway and bridge improvements results in an average benefit of $5.20 in the form of reduced vehicle maintenance costs, reduced delays, reduced fuel consumption, improved safety, reduced road and bridge maintenance costs and reduced emissions as a result of improved traffic flow.

- Sixty-eight percent of the $125 billion worth of commodities delivered annually from sites in Colorado is transported by trucks on the state's highways. An additional 19 percent is delivered by parcel, U.S. Postal Service or courier, which use multiple modes, including trucks.

Current Road and Bridge Conditions, Travel Trends and Traffic Congestion

- Thirty-eight percent of Colorado's major urban roads are in poor condition. Driving on roads in need of repair costs Colorado motorists more than $2.2 billion a year in extra vehicle repairs and operating costs – $572 per motorist.

- Sixteen percent of Colorado's bridges are structurally deficient or functionally obsolete.

- Thirty-one percent of Colorado's major urban highways are congested. Traffic congestion costs American motorists $121 billion a year in wasted time and fuel costs.

- Americans rely almost exclusively on motor vehicles for mobility. Travel in private vehicles accounts for 88 percent of all person miles of travel. Air travel accounts for eight percent of all person miles of travel, while transit (including buses and trains) accounts for one percent.

- Vehicle travel on Colorado's highways increased by 73 percent from 1990 to 2013. Colorado's population grew by 57 percent between 1990 and 2013.

- Vehicle travel on America's highways increased by 39 percent from 1990 to 2013, while new road mileage increased by only four percent. The nation's population grew by 26 percent from 1990 to 2013.

Roadway Improvements Can Save Lives and Reduce Traffic Congestion

- Roadway conditions are a significant factor in approximately one-third of traffic fatalities. There were 481 traffic fatalities in 2013 in Colorado. A total of 2,313 people died on Colorado's highways from 2009 through 2013.

- Colorado's traffic fatality rate of 1.02 fatalities per 100 million vehicle miles of travel is lower than the national average of 1.09. The fatality rate on the state's rural roads is disproportionately higher than that on all other roads in the state (1.79 fatalities per 100 million miles of travel vs. 0.80).

- Motor vehicle crashes cost Colorado $3 billion per year, $762 for each resident, in medical costs, lost productivity, travel delays, workplace costs, insurance costs and legal costs.

- Where appropriate, highway improvements such as removing or shielding obstacles, adding or improving medians, widening lanes and shoulders, upgrading roads from two lanes to four lanes, and improving road markings and traffic signals can reduce traffic fatalities and accidents and improve traffic flow to help relieve congestion.

- According to a study conducted by the Federal Highway Administration, $100 million spent on highway safety improvements will save 145 lives over a 10-year period.

Data from the U.S Census, the U.S. Department of Transportation, the Federal Highway Administration, the Bureau of Transportation Statistics, the National Highway Traffic Safety Administration, the Congressional Budget Office, AASHTO and the Texas Transportation Institute was compiled and analyzed by TRIP, a nonprofit transportation research group based in Washington, D.C. Information is the latest available.

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Surface Transportation Program Reauthorization Priorities

Congress enacted in July 2014 a 10-month short-term extension of the federal highway and transit programs and the fifth Highway Trust Fund revenue patch since 2008. There are six weeks until that measure expires on May 31. Congress must use those six weeks to work to produce a long-term surface transportation program reauthorization bill and Highway Trust Fund fix. Defaulting to more temporary extensions without such an effort is unacceptable.

Policy Recommendations

The 31 national association and construction trade union members of the Transportation Construction Coalition urge the House and Senate to incorporate the following policy priorities in the next federal surface transportation program reauthorization legislation:

- A five or six year reauthorization of the federal highway and public transportation programs that increases federal investment to levels that at minimum will allow states to preserve existing road and bridge conditions and prevent traffic congestion from getting worse. These investment levels should be supported with revenues linked to transportation system use (see accompanying Highway Trust Fund fact sheet).

- Any multi-year reauthorization measure should build on and promote state utilization of MAP-21's provisions to reduce the unnecessary delay in the surface transportation project review and approval process while preserving existing environmental protections. Specific areas for improvement include providing the U.S. Department of Transportation the ability to enforce schedules for project reviews involving other federal agencies and fast-tracking projects determined to have minimal environmental impact by requiring no further review or paperwork.

- A new highway-focused goods movement program should be established to provide states with dedicated funds to build and improve roadways and bridges that are responsible for accommodating the dramatic growth projected in U.S. freight shipments. This program should be funded with new revenues, ideally generated from goods movement and transportation-related activities, and not at the expense of any other existing component of the federal highway program.

- The next reauthorization measure should include provisions to encourage private sector investment in surface transportation improvements. Specifically, the bill should—at a minimum—continue current levels of financial support for the Transportation Infrastructure Finance and Innovation Act (TIFIA) Program and expand the Private Activity Bond cap for highway and freight facilities.

- Any plan to reduce the federal commitment to delivering a safe and reliable national transportation network should be rejected outright. Proposals to allegedly "devolve" the federal surface transportation program are nothing more than a mechanism to cut federal investment with the hope that state or local governments will increase their own transportation spending to fill the resulting gap to preserve jobs and mobility. These proposals are a classic bait-and-switch ploy that would require states to raise taxes or dramatically cut spending. The attached document quantifies the gas tax increase, or equivalent revenue plan, each state would have to enact under the "devolution" scheme.

Minimum State Revenue/Fuels Tax Increase Needed to Replace Federal Highway Apportionment Loss Due to the "Transportation Empowerment Act"

TRANSPORTATION CONSTRUCTION COALITION

State	FY 2020 New Revenues Needed	State Gas & Diesel Motor Fuel Tax Increase Revenue Equivalent Needed if "Transportation Empowerment Act" Became Law (Cents/Gallon)	
		Gasoline	Diesel Motor Fuel
Alabama	$ 583,583,858	18.0	19.0
Alaska	385,692,480	100.0	100.0
Arizona	562,798,378	17.7	25.1
Arkansas	398,251,863	19.0	19.9
California	2,823,203,222	25.9	33.3
Colorado	411,321,058	16.3	15.2
Connecticut	386,342,532	19.9	40.7
Delaware	130,117,923	26.6	25.4
Florida	1,457,390,746	11.5	21.1
Georgia	993,201,606	28.5	30.5
Hawaii	130,098,981	26.3	26.3
Idaho	220,009,622	25.5	25.5
Illinois	1,093,612,593	18.2	20.5
Indiana	732,938,723	18.5	16.4
Iowa	380,047,367	19.0	20.4
Kansas	290,680,942	17.5	18.9
Kentucky	511,084,002	19.9	17.9
Louisiana	539,870,616	18.8	18.8
Maine	141,990,704	17.5	18.2
Maryland	462,570,215	15.0	15.4
Massachusetts	467,170,991	14.9	14.9
Michigan	809,876,142	16.6	13.1
Minnesota	501,584,577	17.4	17.4
Mississippi	372,023,649	17.0	17.0
Missouri	728,197,465	17.9	17.9
Montana	315,601,840	44.5	45.7
Nebraska	222,333,051	19.1	18.5
Nevada	279,312,362	15.5	15.4
New Hampshire	127,090,978	10.3	10.3
New Jersey	768,015,882	19.3	23.6
New Mexico	282,473,935	21.5	26.2
New York	1,291,144,600	20.7	19.3
North Carolina	802,622,438	16.4	15.2
North Dakota	190,968,829	24.2	24.2
Ohio	1,031,057,362	15.9	15.9
Oklahoma	487,840,964	19.3	15.9
Oregon	384,471,903	24.1	24.1
Pennsylvania	1,262,067,392	18.6	22.8
Rhode Island	168,223,709	41.4	41.4
South Carolina	523,272,393	16.6	16.6
South Dakota	216,924,997	35.9	35.9
Tennessee	650,004,244	18.1	15.6
Texas	2,713,168,916	17.1	17.1
Utah	272,012,203	18.7	18.7
Vermont	156,113,837	44.2	48.1
Virginia	782,757,538	16.2	16.2
Washington	521,454,439	16.9	16.9
West Virginia	336,155,483	32.5	32.5
Wisconsin	578,773,304	20.6	20.6
Wyoming	197,058,252	30.5	30.5
Total	$ 30,074,581,106	22.83 Average Increase	23.92 Average Increase

Source: Transportation Construction Coalition

ARTBA analysis of FHWA and state tax data by Drs. Alison Black & William Buechner

Contact: ablack@artba.org or 202-289-4434

Reauthorization Funding Options

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

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

Proposed Revenue Options

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

Or

10 cent increase in gas and diesel taxes:
$105.98 B

Or

Phase in of items listed here

*Indexed for inflation

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

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

Potential Future Revenue Options

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

Explanation of Shortfall and Revenue Options on Reverse

Explanation of Shortfall and Revenue Options

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

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

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

Explanation of Revenue Options

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

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

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

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

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

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

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

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