



Statement of the U.S. Chamber of Commerce

**ON: MAP-21 Reauthorization:
The Economic Importance of Maintaining Federal
Investments in our Transportation Infrastructure**

TO: Senate Committee on Environment and Public Works

BY: Thomas J. Donohue, President and CEO

DATE: February 12, 2014

The Chamber's mission is to advance human progress through an economic,
political and social system based on individual freedom,
incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The Chamber is dedicated to promoting, protecting, and defending America's free enterprise system.

More than 96% of Chamber member companies have fewer than 100 employees, and many of the nation's largest companies are also active members. We are therefore cognizant not only of the challenges facing smaller businesses, but also those facing the business community at large.

Besides representing a cross-section of the American business community with respect to the number of employees, major classifications of American business—e.g., manufacturing, retailing, services, construction, wholesalers, and finance—are represented. The Chamber has membership in all 50 states.

The Chamber's international reach is substantial as well. We believe that global interdependence provides opportunities, not threats. In addition to the American Chambers of Commerce abroad, an increasing number of our members engage in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on issues are developed by Chamber members serving on committees, subcommittees, councils, and task forces. Nearly 1,900 businesspeople participate in this process.

**Testimony of Thomas J. Donohue
President and CEO
U.S. Chamber of Commerce**

Senate Committee on Environment and Public Works

**Hearing titled:
“MAP-21 Reauthorization:
The Economic Importance of Maintaining Federal Investments
in our Transportation Infrastructure”**

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Introduction

Chairman Boxer, Ranking Member Vitter and distinguished members of the Senate Committee on Environment and Public Works, thank you very much for the opportunity to discuss the economic importance of federal investment and leadership in transportation infrastructure. I am here today representing the U.S. Chamber of Commerce because we, along with the business, labor, highway and public transportation interests that are members of the Chamber-led Americans for Transportation Mobility Coalition, believe strongly that federal investment in highways, public transportation and safety is a necessary ingredient in the recipe for boosting economic productivity, successfully competing in the global economy, and maintaining a high quality of life.

I want to start by saying “thank you” for the bipartisan highway, transit and safety law, *Moving Ahead for Progress in the 21st Century* (MAP-21), which ended years of short term extensions that created a great deal of uncertainty for businesses and infrastructure owners and operators. This year, Congress must build on the reforms contained in MAP-21 and identify the resources needed to maintain, and ideally increase, smart spending on the nation’s transportation system.

This testimony outlines the case for a strong federal role based on the economic importance of ensuring that we have a 21st century infrastructure to support a 21st century economy. Then it focuses on the challenge of federal Highway Trust Fund solvency.

The Case for Federal Leadership and Investment

“Infrastructure is not the end result of economic activity; rather it is the framework that makes economic activity possible.”ⁱ

A first rate national transportation system is necessary in order to maintain a first rate economy in the United States. Failure to address transportation problems undermines U.S. economic growth. This is the fundamental reason that the federal government must take a leading role in making sure that transportation policies—and the related programs and spending that implement these policies—contribute to a strong economy, including enabling interstate commerce, facilitating international trade, and propelling the efficient mobility and connectivity of people and products.

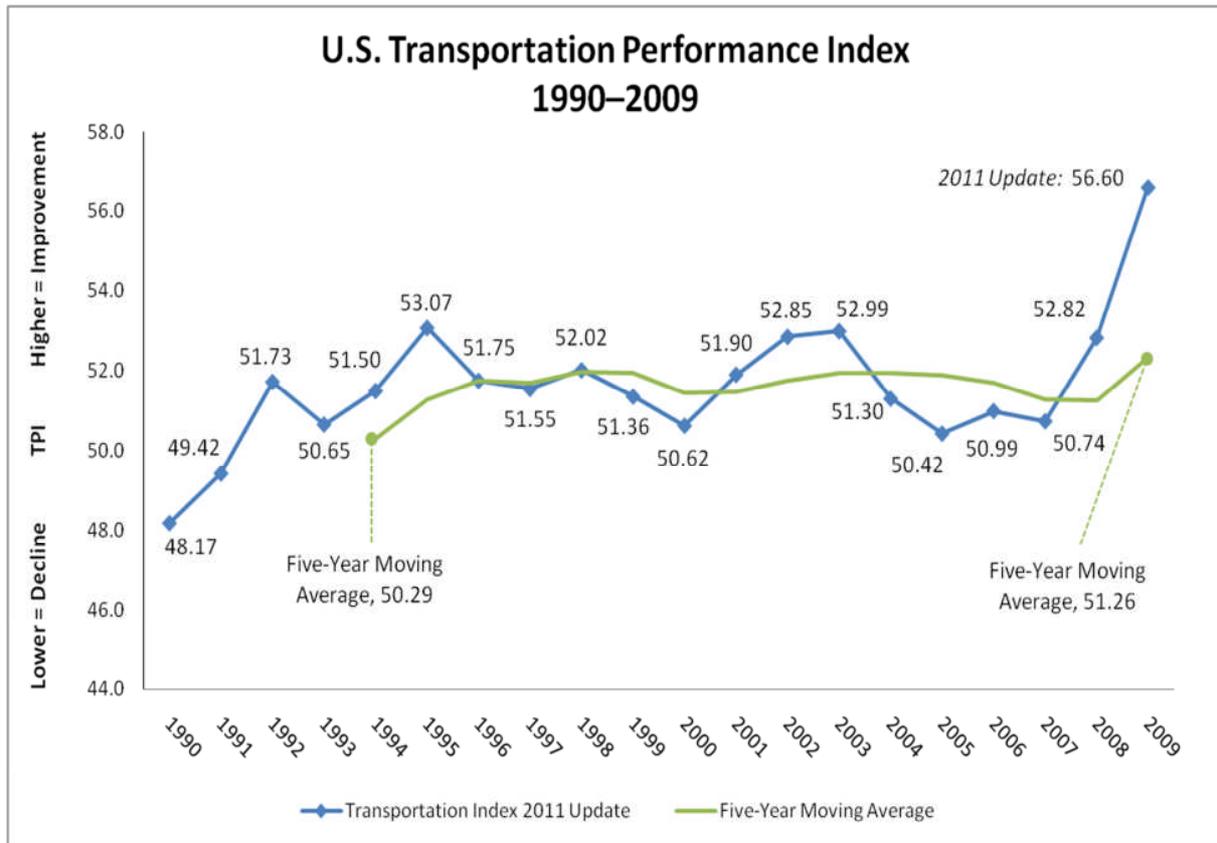
A transportation system that works for businesses can propel economic growth and, conversely, one that falls short of performing as it needs to will drag down the economy. This is the key finding of the Chamber's *Transportation Performance Index* (TPI). First released in 2010, the TPI demonstrates that enhancing the performance of transportation infrastructure is a vital part of creating the sustainable long-term growth our nation desperately needs.

The TPI comprises roughly 20 weighted indicators in each mode of transportation falling into three categories:

- Supply, described as the availability of infrastructure, which is a key consideration for businesses when deciding where to locate their facilities;
- Quality of service, the reliability of infrastructure, whether it supports predictable and transportation services and travel; and,
- Utilization, whether current infrastructure can sustain future growth. Utilization is a key consideration for companies that look years into the future to inform the decisions and capital investments they make today.

Together, the indicators provide a snapshot of transportation system performance across U.S. geography, economic sectors, and demographics. Much like the Dow Jones Industrial Index indicates financial market performance, the TPI is an aggregate measure that is a useful snapshot of the transportation system as a whole at a point in time. By watching it over time, trends and fundamental system health are slowly revealed.

The inaugural TPI, calculated for 1990-2008, reflected a six percent increase in performance over that period. In contrast, the U.S. population grew 22 percent, passenger travel grew 39 percent, and freight traffic grew 27 percent. Given these facts, it is a testament to business ingenuity that the TPI was not worse. Businesses work around transportation challenges by scheduling deliveries in off-peak hours, implementing flexible employee work policies, and substituting information technology for transportation services. There are also countless stories of transportation infrastructure owners using the engineering equivalent of duct tape to hold infrastructure together and crafting creative operational strategies to enhance throughput.



U.S. Transportation Performance Index: 1990-2009

In the 2011 update, the data showed a distinct uptick in the TPI. According to Dr. Susanne Trimboth,

Much of the improvement in the TPI may be attributed, in the final analysis, to the decline in economic activity in 2009. But that begs a question: if we can improve the performance of transportation infrastructure by stopping economic growth, is that progress? Of course, the answer is 'no'. Stopping economic growth is not progress; it is not a solution to the problem of poor performing transportation infrastructure in America. Likewise, although raising gasoline prices to \$11 per gallon might solve the funding issue (Appleby 2009) it would have other consequences for economic activity....The point is that a one or two year improvement in performance won't last without sustained effort. We will need to get out of our own way if we don't want this to fall back again....ⁱⁱ

Gross Domestic Product and Transportation Performance

There is a strong correlation between performance, which the TPI defines as the degree to which the transportation system serves U.S. economic and multi-level business community objectives, and economic growth as measured by Gross Domestic Product (GDP). In short,

This analysis is unique because it goes beyond merely charting the effects of spending and job creation during construction. The findings of the TPI economic analysis are “different from studies on how infrastructure spending creates jobs in the construction industry or any of a multitude of cost/benefit studies in use today. By controlling for the primary factors known to impact economic development, we are able to segregate a change in the economy that is most likely attributable to the performance of transportation infrastructure.”ⁱⁱⁱ

Instead, the analysis provides robust, stable results showing the overall contribution to economic growth from well-performing transportation infrastructure as fundamental to maintaining a strong economy.^{iv} Specifically,

Every one point decline or increase in the TPI correlated to a corresponding decrease or increase of 0.3 percent of GDP. A status quo scenario—largely unchanged priorities, policies, regulations and investment levels—translated to \$336 billion decline in GDP by 2015. But there is good news: by following the lead of the states with top transportation infrastructure performance, the country as a whole could add nearly \$1 trillion annually to GDP by investing in transportation systems that meet and anticipate the needs of business.^v

Transportation Performance, Foreign Direct Investment, Competitiveness and Trade

The U.S. Chamber works every day to build bridges to promising markets abroad, to tear down the barriers that shut U.S. exports out of foreign markets, and to secure a brighter future where international commerce generates economic growth and job creation at home. Increasing investment in transportation infrastructure is central to these goals.

The TPI econometric analysis exposed a strong correlation between transportation infrastructure performance and foreign direct investment (FDI) in the United States. There is a positive relationship between FDI that opens new establishments in the United States—creating new jobs—and the performance of transportation infrastructure as measured by the index.

According to the Organization for International Investment (OFII), companies based abroad investing in the United States and creating jobs for Americans provide 4.7 percent of private sector employment. That includes approximately two million manufacturing jobs, accounting for more than 17 percent of the manufacturing workforce. Quality transportation infrastructure

unleashes competitive advantage by leading to lower production costs making U.S. businesses more efficient, making the United States a desirable location for new and existing businesses, and also making U.S.-produced goods and services more competitive in the global economy.^{vi}

New enterprises established by FDI may be more dependent on transportation infrastructure than other types of infrastructure because of the need to move goods and people between the foreign country and the United States. According to studies done by the Bureau of Economic Analysis, most of what these firms import and about half of what they export is shipped from and to the parent company in the foreign country, making transportation infrastructure an important element of their location decision. The results indicate that a commitment to raising the performance of transportation infrastructure provides positive long-term value for the U.S. economy.

OFII's report, "Building Competitiveness: American Jobs, American Infrastructure, American Global Competitiveness" clearly indicates that a commitment to increasing the efficiency and performance of U.S. transportation infrastructure provides long-term, positive value for the U.S. economy. According to the report:

America's infrastructure crisis is threatening America's global competitiveness because it is eroding the country's ability to attract and retain dynamic global companies that create high-productivity, high-wage jobs. America's ability to meet the infrastructure needs of dynamic global companies increasingly lags the ability of many other countries—in contrast to much of 20th century, when America's infrastructure was a strong pull attracting these companies. In the United States, global companies have long been among America's most innovative. The U.S. subsidiaries of global companies, in particular, have long created and sustained high-paying American jobs based on substantial investments in ideas, capital, and exporting—much of which is based on lessons learned around the world.^{vii}

Without smart investment in U.S. infrastructure, American businesses will lose ground to major international competitors. Less-developed and emerging market competitor countries recognize the benefits of well-developed infrastructure and are preparing their transportation systems to move away from producing low-wage goods to producing the types of products that require the specialization of labor that transportation infrastructure makes possible.^{viii}

Markets outside of the United States represent more than 80 percent of the world's purchasing power, 92 percent of its economic growth, and 95 percent of its consumers—all accessed through transportation networks. More than 38 million American jobs^{ix} depend on trade. One in three manufacturing jobs^x depends on exports, and one in three acres^{xi} on American farms is planted for hungry consumers overseas. Exports alone supported approximately 9.7 million U.S. jobs in 2011, as every billion dollars of exports supported 5,080 jobs in the United States.^{xii}

The Chamber promotes expanding American trade, two-way investment, and tourism through an ambitious agenda to open international markets and reduce commercial barriers at home and abroad. Our country should make a major effort to attract more global investors. High performing transportation networks draw FDI, because infrastructure supports predictable logistics, which are important to efficient trade.

Globally, logistics costs have fallen from about 20 percent of GDP in the early 1980s to less than 10 percent. However, delays and unpredictability greatly outweigh direct transportation costs (Arvis, 2010). Delays are mostly related to the performance of road, rail and port—not border crossings, the price of fuel, service pricing, etc. The lack of intermodal connectivity and variable transit times does more than cause delays and raise costs. They also hamper the ability of firms to compete. Longer delays in transit mean having to hold higher inventories (e.g. to avoid shortages of inputs)—bearing the higher risk associated with warehousing and tying up capital for longer periods of time.^{xiii}

Unfortunately, much of the United States' transportation infrastructure—especially that which supports interstate commerce and international trade—is becoming less competitive with the rest of the world, and our closest competitors.

An examination of the data for the US and Canada emphasizes the inefficiencies in [US] land transportation. A Canadian exporter typically moves their goods for export 766 kilometers, versus a substantially shorter distance for US exporters of only 484 kilometers. The difference in total cost is about 10 percent (\$1,249 per container in the US versus \$1,123 in Canada). The big difference is that US producers need more than 2 extra days to cover nearly half the distance. When exporting through ports and airports, US producers are able to cover 50 percent more distance in about the same amount of time as Canadian firms, but at a cost that is almost 60 percent higher (even with similar security measures in place). These inefficiencies put a burden on US companies that their global competitors do not face.^{xiv}

Why the extra time to cover half the distance? A pervasive problem in the United States is traffic congestion, which is at an all-time high and will only get worse, according to the Texas Transportation Institute's 2012 Urban Mobility Report.^{xv} The study revealed that Americans spent 5.5 billion additional hours sitting in traffic in 2011. While accounting for only six percent of the nation's total freeway lane-miles and 10 percent of the traffic, 328 corridors account for 36 percent of the country's urban freeway congestion. In 2010, congestion (based on wasted time and fuel) cost about \$115 billion in the 439 urban areas, compared to \$113 billion (in constant dollars) in 2006.^{xvi}

Most drivers allow a little extra time when driving during rush hour, especially for important trips like getting to the airport or picking up kids after school, but the message of the Texas Transportation Institute's congestion report released earlier this year was clear: plan for more

time to get places. For the first time, the TTI study calculated just how much extra time could be needed in a travel plan. In Washington, DC, a 20 minute trip takes almost two hours in heavy traffic.^{xvii} That is a huge difference when trying to make a flight or picking up kids from day care.

Compare this to businesses that use the transportation system every day and then start doing the math: UPS carries six percent of U.S. GDP within its system every day. If every UPS vehicle suffers a five minute congestion delay every day of the year, the annual operating cost to UPS increases by \$105 million. Imagine if every UPS vehicle suffers congestion delays of up to two hours each day.

The services sector also suffers when congestion and lack of connectivity create inefficiency and, in some cases, deterrence for travel at all. The travel and tourism industry represents another clear example of an industry with job and growth opportunities that is heavily reliant on transportation. Jonathan Tisch, Chairman of Loews Hotels & Resorts, recently highlighted the connection between infrastructure and growth in the travel and tourism sector.

In my business, the travel industry, we see tremendous opportunities for growth in a sector that already generates \$1.9 trillion in annual economic output, supplies \$124 billion in tax revenue, and employs 7.5 million Americans. Over the next decade, worldwide travel from rapidly developing countries like China, Brazil and India is projected to grow by more than 100 percent—additional visitors who could generate billions to spur economic growth, job creation, and small business expansion. Yet America's infrastructure system cannot handle the travelers we already have, much less millions of new ones.^{xviii}

Businesses place a high value on mobility—of their employees, customers, and supply chains—and are solution oriented. Chamber members have grown frustrated with the repetitive debates over whether one mode is more important than another, or if one jurisdiction is receiving its “fair share.”

Businesses want to know if the transportation system as a whole will support reliable and predictable, cost-effective, and safe transportation of goods and people from their origin to their destination both today and into the future. They do not want to negotiate among 50 different states and myriad communities. They cannot afford to have a system made up of islands of good transportation in a sea of mediocrity. This sums up why there is a clear federal role in ensuring the national interest is realized in an interconnected, seamless, and efficient transportation system.

MAP-21 Reauthorization: Next Steps

In discussing highway, transit and safety legislation over the years, the Chamber has been clear, consistent, and repetitive on three key points. First, we must get the most bang for the buck out of every federal dollar through good policy and programs. Second, the federal government is not the only game in town; the private sector must play an increasing role in project financing and delivery. Third, the best policy and the most creative financing tools do not do much good without revenues.

Moving Ahead for Progress in the 21st Century made smart reforms to speed up much-needed improvements to our roads and bridges, and public transportation systems; expanded TIFIA, which is the flagship federal credit program for surface transportation; created performance measurement for transparency and accountability; called for establishment of a national highway freight network; and, funded federal-aid programs without significant cuts. MAP-21 has a focused and simplified federal transportation policy framework and program structure. It stopped the diversion of money intended for transportation to non-transportation projects. These changes should enable states and Metropolitan Planning Organizations to implement a sensible mix of projects based on what will work in a given area—more road construction in some areas or investment in public transportation in others, or using technology to improve system management and squeeze out additional capacity from existing assets. Through planning and performance measurement, states and local planning processes and decision-making will be more transparent and agencies will be more also more accountable for outcomes. Together, the historic reforms in MAP-21 should go a long way to restoring trust and confidence with taxpayers who expect their money to go toward the intended purposes.

In this reauthorization, there are opportunities to build on MAP-21, without disrupting the ongoing implementation of the law, will help make the case for action on transportation legislation and on solving the funding crisis. Although this testimony is not focused on policy recommendations, the Chamber is developing suggestions for the Congress to consider and will share those when they are completed.

Private Participation & Financing Tools

As a nation, we must do a better job taking every opportunity to tap every possible source of capital so that projects that simply cannot be financed still have resources—including the limited formula and grant dollars that do not have to be repaid.

There is no shortage of private capital ready to be invested. AECOM, a global provider of professional technical and management support services, estimates that, “Private equity “dry powder,” cash on the books of S&P 500 firms and U.S. pension fund assets collectively are almost 12 times the U.S.’ estimated infrastructure investment gap.”^{xix} At least \$250 billion has been raised globally for investment in public-private partnerships, or P3s.^{xx}

Capital is not the only reason to pursue private participation in public infrastructure delivery. The private sector can bring innovative problem solving and up-front capital to bear on the nation's most complex, large transportation challenges. P3s have the potential to drive urgent and complex projects forward in order to deliver benefits sooner than under pay-as-you-go models. Significant value can also be derived from private sector innovation and creativity in problem solving, performance measures built into contracts, and long-term collaborative opportunities incorporating operations and maintenance rather than taking the short-term view of design and construction.

Governors and mayors—and other elected decision makers—need to embrace P3s as a way of doing business. Every state should have laws that not only allow, but welcome, private investment. Public sector project sponsors must develop projects that are bankable, e.g. generate revenues in order to pay for projects or have access to dedicated developer impact fees, general tax revenues or special purpose taxes. The process of delivering projects has to be accelerated: barriers to private investment including regulations and administrative processes that make project delivery take far too long should be removed or reformed. Political uncertainty must be reduced.^{xxi}

Where do federal transportation policies fit into the P3 equation? Federal credit assistance programs, bond proceeds, and state infrastructure banks can bring down the overall cost of capital for projects thereby freeing up cash flows, which draws in private investors.

The Transportation Infrastructure Finance and Innovation Act (TIFIA), which MAP-21 substantially expanded (from \$122 million in budget authority per year to \$1 billion in 2014) is a powerful leveraging tool. Each dollar of federal funds can support up to \$10 in TIFIA credit assistance and leverage \$30 in transportation infrastructure investment.^{xxii}

Private activity bonds for surface transportation projects and rail truck transfer facilities were authorized at \$15 billion in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)^{xxiii} and are often used as part of a public-private partnership financing structure. These tax exempt (municipal) securities are issued by state or local entities and the proceeds are used by one or more private entities.^{xxiv} Today only \$5 billion in available capacity remains against \$20 billion of public-private partnership projects now in procurement of which many include tax-exempt PABs in the financing plans.^{xxv} Congress will need to take action soon to increase the capacity in order to keep the PAB market functioning.

As of December 2012, 33 states and territories had entered into an estimated 940 state infrastructure bank loan agreements for a total of \$6.0 billion. State infrastructure banks, or SIBs, are revolving loan funds. A SIB, much like a private bank, can offer a range of loans and credit assistance enhancement products to public and private sponsors of Title 23 highway construction projects or Title 49 transit capital projects. The requirements of Titles 23 and 49

apply to SIB repayments from federal and non-federal sources. Although MAP-21, unlike SAFETEA-LU, did not extend the ability of states to use federal funds to capitalize SIBs, states can still use existing SIBs as part of their funding and financing toolbox.^{xxvi}

These valuable federal credit tools, along with other sources of debt and equity are not free. When a project is financed, revenues are required to repay lenders and investors. Although using alternative procurement approaches like P3s can free up pay-as-you-go funding sources for projects that do not fit into the P3 model, P3s are not substitutes for fixing the revenue problem facing the Highway Trust Fund.

The Highway Trust Fund: Averting the Cliff and Creating Sustainability

The Highway Trust Fund (HTF) is the main source of federal funding for federal highway and transit programs. The HTF is composed of the highway account, which supports highway and intermodal programs, and the mass transit account, which funds public transportation. The HTF is funded by a federal gasoline tax of 18.4 cents per gallon and a federal diesel tax of 24.4 cents per gallon, as well as other fees. These user fees that paid for much of the nation's postwar Interstate system and enabled multi-modal and intermodal development have not been raised since 1993 and have failed to keep pace with inflation and the soaring costs of construction and materials.

In testimony to this committee last September, the Chamber stated, “The issue of sustainable, growing revenue for the federal HTF is central to MAP-21 reauthorization. Over the next 12 months, elected leaders must lay a course for the future of federal investment in highways and public transportation.”

The Chamber looks at this challenge in three phases.

- 2014-2015: The impending crisis requiring draconian cuts in order to maintain solvency.
- 2015-2024: During this period, the existing user fees could be modified to be sustainable, predictable, and in pace with inflation. This is also a critical period for conducting an aggressive research and development agenda for a long-term revenue source.
- 2025 and beyond: It is at this point, when CAFE standards increase significantly, that the revenues from gasoline taxes are likely to require substantial replacement as the primary source of funding from drivers.

Action Required This Summer: 2014-2015 Shortfalls

Time is running out to address the immediate problem with the HTF. Congress must act before the August recess to ensure that payments on obligations are made through the end of FY 2014. Then, Congress must act before September 30 on the revenue shortfall projected for FY 2015.

Under the baseline scenario, CBO expects outlays from the highway account to total about \$46 billion and revenues to total about \$33 billion, leaving the highway account with a balance of about \$1 billion at the end of FY2014. However, the U.S. Department of Transportation (DOT) needs a cash cushion of about \$4 billion to meet cash flow requirements in the highway account. As a result, CBO estimates that in the highway account there will be a mismatch between the timing of revenues credited to the fund and when bills need to be paid from the fund. It is likely that the highway account will have difficulty meeting obligations sometime during the latter half of Fiscal Year 2014.

Under the baseline, CBO estimates that the transit account will be able to meet all obligations during FY2014, but will be unable to meet obligations at some point in Fiscal Year 2015. Outlays from the account are expected to total about \$8 billion and revenues will total about \$5 billion, leaving the transit account with a balance of about \$2 billion at the end of the year. DOT has noted that they need a cash cushion of between \$1 and \$2 billion to meet cash flow requirements in the transit account.

For FY2015, the conclusion that CBO made in August 2013 still holds. In the absence of revenues from the general fund or changes to HTF user-fee receipts, “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).”^{xxvii} In other words, there is only enough cash flow coming into the HTF to for outlays resulting from prior year obligations. CBO’s projections show a \$13 billion cash shortfall in 2015, requiring a total of \$18 billion in revenues in order to provide the cash flow cushion that DOT estimates it needs.

The 10-year window: FY2015-FY2024

The 2014-15 problems are only the tip of the iceberg. As Jeff Davis of Transportation Weekly wrote on February 4, 2014, shortly after the release of the CBO February 2014 baseline:

According to CBO, if Congress wants to write a six-year surface transportation bill at the baseline spending levels (the obligation limitations on Highway Trust Fund contract authority contained in the just-enacted FY 2014 omnibus appropriations bill, plus annual increases for inflation), the Trust Fund needs another \$100 billion or so in additional tax receipts, or transfers from the general fund, over the FY 2015-2020 period.^{xxviii}

For the 10 year window, 2015-2024, the cumulative shortfall in the highway and mass transit accounts of the HTF will be over \$170 billion, under the assumption used by CBO that defense and non-defense discretionary spending will comply with the annual caps in the Budget Control Act, as amended, which hold the rate of growth in both categories below inflation until 2021.

2025 and Beyond

Looking even farther into the future, by 2025, all new cars and light duty trucks sold must comply with Corporate Average Fuel Economy standards that will dramatically reduce gasoline consumption and, as a result, decimate the excise tax on gasoline as a source of revenue to the HTF. By this point, new revenue sources must be identified, and the collection methods thoroughly tested, so that a different means of collecting user fees can be implemented if user fees are to be the source of funding for highways, public transportation and safety.

Three Paths to Solvency

The three alternative paths in front of Congress and the Administration today are identical to those that the Chamber and the ATM Coalition have presented to elected and appointed officials, and the American public, for the past several years.

Option 1: Cut transportation programs to levels supported by available revenues.

Trade-off: Approaches of this type simply shift responsibility to states and local communities, which will be forced to raise their own revenues to address transportation needs.

In the last several years, Congress repeatedly rejected dramatic cuts to highway and transit programs. In 2005, Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) established annual authorized funding levels for the highway and transit programs based on an estimate of the amount of annual revenue that would accrue to the HTF. SAFETEA-LU did not adjust user fees for inflation, meaning purchasing power continued to decline. Nor did it adjust for needs, meaning that backlogs continued to grow. When actual revenues did not meet projections, Congress reinforced its commitment to the authorized investments and reimbursed the HTF for monies that had been taken out in earlier years for other purposes. In passing MAP-21 last year, Congress rejected changes to user fees to bring them in line with spending, but also rejected dramatic cuts in highway and transit programs, instead choosing to use general fund offsets to maintain federal funding levels for highways and public transportation.

The Chamber strongly urges Congress to continue to reject cuts to federal program levels that would, in turn, pass the buck to states, localities and the private sector. These cuts are not acceptable to the Chamber. This option is tantamount to abdicating responsibility for interstate commerce, and ignoring the importance of connectivity and the value of a national system.

Option 2: Pay to maintain or increase transportation spending with general funds.

Trade-off: This option eliminates the certainty of a multiyear transportation program because contract authority—the ability of a federal agency to incur obligations in advance of appropriations—has been tied, historically, to user fees. Absent sustainable, predictable and growing sources of user fee revenues, the federal transportation programs covered by MAP-21 will have difficulty supporting multi-year capital investments. Since 2008, the HTF relied on over \$50 billion in general fund transfers for solvency. This approach has created uncertainty across the organizations that design, build, operate, maintain and finance transportation infrastructure.

Although the Chamber appreciates the willingness of Congress to shore up the HTF through general fund transfers, this option is not a long-term solution to the structural problem of insufficient user-fee based revenues. It can provide a bridge until revenues are identified, but it will not provide sustainable, predictable and growing resources for the HTF and the certainty that is needed for efficient capital investment.

Option 3: Increase existing user fees and/or identify new user-related revenue sources.

Trade-off: Politics and public opinion. The simplest, most straight-forward, and effective way to generate enough revenue for federal transportation programs—increasing federal gasoline and diesel taxes—is frequently cited as politically impossible.

The Chamber's Preferred Revenue Option: Increase Gas and Diesel Taxes

The Chamber believes that Congress should maintain a user-fee based HTF to support a strong federal role and enable multi-year funding commitments by the federal government to states and metropolitan planning organizations. Historically, user fees deposited into the HTF have been the simplest, most transparent and effective way of providing systemic revenue for federal highway and public transportation programs. The trust fund construct is valuable, especially in absence of capital budgeting, because properly funded, it supports multi-year highway, transit and safety legislation that make use of those resources in different ways—whether leveraged through TIFIA, distributed through competitive grant programs, or allocated by formula.

The gas tax is not dead. However, the current levels—18.4 cents per gallon on gasoline and 24.4 cents per gallon on diesel—have not changed since 1993. The obvious solution is to increase and index these user fees to produce sustainable, predictable, and growing cash flows until a new revenue structure can be identified and implemented.

The Chamber believes that raising user fees to cover the shortfall and allow for increased investment should not be dismissed. Increases should have been done long ago to make up for lost purchasing power and address unmet needs. The challenge is one of political will. This

debate—particularly the revenue considerations it entails—will never be convenient. But matters of convenience are not what Americans ask of their leaders in Washington.

Actions by states in 2013 to raise revenue for transportation are examples of this political courage. According to the National Conference of State Legislatures,

On Nov. 25, Pennsylvania Governor Tom Corbett signed a comprehensive transportation funding package into law. Among other provisions, House Bill 1060 repeals the state's 12 cents-per-gallon gas tax altogether and phases in an increase to the state's percentage-based Oil Company Franchise Tax. The multi-billion-dollar legislation makes Pennsylvania the sixth state this year—after Maryland, Massachusetts, Vermont, Virginia and Wyoming—where the legislature enacted a bill to increase overall state gas taxes. Notably, except for Wyoming, all of these states moved toward a gas tax that tracks with the economy to some degree, either by tying the rate to inflation or basing it on the price of fuel.^{xxix}

Other Revenue Options

The Chamber is open to considering other revenue options to supplement the current HTF revenue sources. In fact, there is no shortage of research that looks at the questions of “who pays, for what, how much, and by what mechanism?” However, the Chamber has not fully evaluated these options and this list is not indicative of options that the Chamber would support.

The two commissions created in SAFETEA-LU, The National Surface Transportation Policy and Revenue Study Commission (<http://www.transportationfortomorrow.com>) and the National Surface Transportation Infrastructure Financing Commission (<http://financecommission.dot.gov>) looked at the full array of reports and research on the topic of federal revenues for surface transportation. The Finance Commission, in particular, took an analytical, highly structured approach to assessing revenue options^{xxx}, including:

- Existing HTF sources
- Vehicle-related taxes and fees
- New fuel taxes
- Broad-based taxes
- Freight-related mechanisms
- Tolling and pricing mechanisms

Notably, both commissions rejected the notion that the federal government should get out of the business of investing in highways and public transportation.

The Senate Finance Committee issued a paper^{xxxi} that offered ideas to establish new user fees and taxes to replace or supplement the current system. The Finance Committee options, which were drawn from various sources, included:

- Replacing the current gas tax with a hybrid structure of a variable fuel tax plus a per barrel fee on domestic and imported oil.
- Institute a vehicle-miles-traveled-tax. This option is highly controversial and will not address the immediate challenges.
- Establish surcharges on drivers' licenses and vehicle registration.
- Set new fees for hybrid and other efficient vehicles.
- Expand use taxes to bicyclists, for example, through an excise tax on bicycles.

The American Association of State Highway and Transportation Officials developed another illustrative list of potential revenue sources that is commonly referred to as “the AASHTO matrix.”^{xxxii} Some of the options:

- Container taxes
- Partial dedications of customs revenues
- Indexing gasoline and diesel taxes
- Freight waybill fees (either all modes or truck only)
- Freight charges by ton or ton-mile on all modes or truck only
- Increase in Harbor Maintenance Tax
- Heavy Vehicle Use Tax increase
- Partial dedication of individual or corporate income taxes
- Sales taxes on: auto-related parts and services, fuel, or new and used cars and light duty trucks
- Increasing heavy truck and trailer sales taxes and tire taxes
- Instituting new tire taxes for cars and light duty trucks

Among other proposals: House Speaker John Boehner proposed expanding domestic energy production and using resulting revenues to the federal government for transportation. Jack Schenendorf and Elizabeth Bell, of Covington and Burling, LLP, proposed a Federal Interstate User Fee and a Federal Motor Carrier User Fee—essentially creating a tolling system for the Interstate Highway System.^{xxxiii} Numerous sources propose a carbon tax on transportation and potentially using those receipts for infrastructure.

None of these options will be the HTF Revenue Holy Grail: a non-controversial, politically palatable, sustainable, predictable, adequate and growing source of user fee revenue for transportation.

Conclusion

This nation is faced with difficult fiscal circumstances; however, federal investment in transportation is vital for economic growth, competitiveness and jobs. A transportation system that supports a 21st century economy requires a high level of investment targeted at improving performance across all modes and across the country. The federal government should not pass

the buck to states and locals, nor should it wait for money to grow on trees, or wish and hope that things will get better. Although the management and planning of the nation's transportation system is decentralized and often localized, and public and private, we cannot just fix a few bottlenecks or address the problems in one city or state.

Inaction has costs.

- The economic costs of congestion on the ground, in the air, and at our ports;
- The number of lives needlessly lost to poor roadway conditions;
- The negative impact an aging transportation infrastructure system has on our ability to compete globally;
- The greater costs of materials, labor, and land as projects are delayed;
- The lost opportunity to employ hundreds of thousands of people in construction and related industries by modernizing our highways, transit systems, airports, seaports, waterways, and rails;
- The increased costs and decreased efficiency for American businesses; and
- The hundreds of billions of dollars annually in wasted fuel, lost productivity, avoidable public health costs, and delayed shipments of manufacturing inputs, consumer goods and other items critical to the underlying growth of our businesses.

These things might not “score” for the Congressional Budget Office or the Office of Management and Budget, but the costs are real.

As the Chamber testified to the House Committee on Transportation and Infrastructure, on February 13, 2008:

The Chamber is confident in the case for increasing the systemic funding available for capital investment in infrastructure. As a nation, we must face this fundamental fact—we are a growing people and a growing country with aging infrastructure. We have to fix what we have, and then, if we want a new road, a new runway, or a new transit system, we've got to buy it. No one is giving them away for free....When it comes to funding and financing, every option must be considered to address the enormous problems of the aging transportation infrastructure.

The Chamber is committed to working with the Senate Committee on Environment and Public Works, and others in Congress and the Administration to find sustainable, predictable, growing sources of revenue and exploring future user fee collection mechanisms that are not administratively burdensome or costly. We will assist with the development of additional reforms, innovations, and methods to encourage the use of private sector resources.

We call upon all of America’s leaders in and out of government to put this country first. America needs big solutions—it is time to put the smallness of politics aside. Transportation is a great opportunity to prove that Democrats and Republicans can work together, that states and the federal government can each play an appropriate role, that business can step up to help meet a major national challenge, and that all stakeholders can come together to get something done for the good of the nation. The Chamber is ready to meet the challenge.

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