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Chairman Boxer, Ranking Member Vitter, and Members of the Committee, I appreciate this opportunity to present the views of the American Highway Users Alliance on the need to invest in America's transportation infrastructure and the importance of stabilizing federal transportation funding.

### **About The American Highway Users Alliance**

The Highway Users Alliance is an advocacy group representing hundreds of national and state non-profits and businesses of all sizes, including AAA clubs, bus and truck companies, motorcyclists and recreational vehicle users, and a diverse network of companies that require a safe, efficient, and reliable national system of highways. Our members represent millions of highway users across the country and we serve as the united voice for better roads and fair taxation.

For over 80 years, The Highway Users has been an advocate for strong federal leadership on American transportation infrastructure. We believe that the federal government has an essential responsibility for ensuring safe interstate commerce, making America more connected, and increasing mobility and opportunity for all citizens while contributing to economic growth. The Highway Users has been a stakeholder on every federal highway and surface transportation bill since 1932, including the historic Federal-Aid Highway Act of 1956, which authorized the Interstate Highway System and created the Highway Trust Fund, and the most recent MAP-21 law, which we endorsed and strongly supported because of its critical reforms. As an appendix to this testimony, a list of MAP-21 reforms and programs that we supported is attached.

### **Surface Transportation Has Its Own "Fiscal Cliff"**

Before discussing specific needs and funding options, I want to emphasize up-front that we are facing an epic crisis with the insolvency of the Highway Trust Fund and that a transportation "fiscal cliff" is approaching that could lead to full cancellation of highway funding for 2015. According to CBO, by the fall of 2014 there will be barely enough revenue in the fund to pay for the obligations already made but not yet outlaid under MAP-21 and SAFETEA-LU.

This is truly a qualitatively more difficult situation than is faced by other programs. There is no question that many domestic discretionary programs are facing cuts due to sequestration. Yet these across-the-board cuts pale in comparison to a nearly 100% cut in highway funding, which will occur in fiscal year 2015 if Congress fails to act.

### **Diverse State Needs Add Up to Critical National Needs**

In its most recent Conditions and Performance Report, FHWA estimates that the level of highway capital investment at all levels of government (\$91.1 billion in 2008) is actually leading to a *decline* in the quality of our roads. In other words, we're falling behind already, even before we reach this transportation fiscal cliff.

As America fails to keep up with investment needs, we're sliding as an economic leader: For decades American highway infrastructure was indisputably #1 in the world. After we stopped building the Interstates, we started falling back. Since 1980, we increased highway travel by nearly 100% while increasing road miles by only 6%. By 2006, our road quality dropped to #6 in the world according to the World Economic Forum. In the seven years since, we have dropped twelve spots to #18. This is no longer the exceptional system that we inherited from the greatest generation.

In looking at needs, national statistics abound. But it is just as important (or more important) for Congress to consider the needs qualitatively and holistically. This is a program that benefits every State, and serves every citizen, whether they drive or not. Even those who are not highway users depend on the vast national network of roads and bridges to get food, medicine, and products delivered to their door –often overnight. The investment in highway infrastructure serves America's competitive interests as a whole while simultaneously improving individual lives in communities.

The 212 million licensed drivers that fund the Highway Trust Fund have very different perspectives. In both urban and rural areas, there are growing needs due to the aging of bridges and pavements – many of which were built for much lower traffic volumes and have exceeded their design life. Today, 25% of bridges are deficient. If we put them end to end, they would stretch 5,000 miles -- or long enough to go from coast-to-coast and back. These bridges are collectively getting older and States are working hard to reduce deficiencies. But if we go over the transportation fiscal cliff, bridge deficiencies will grow, with potentially catastrophic results.

We can be even more certain that there will be preventable deaths and injuries if funding is not available for systemic safety investments and hazard elimination projects funded by the Highway Safety Improvement Program (Sec. 1112 of MAP-21). These projects have an average benefit to cost ratio of more than 42 to 1, according to SAIC, and correct systemic safety problems and hazards that kill and maim people of all ages. For example, there are investments that have completely eliminated run-off-the-road fatalities where there were many and others that have helped make roads safer at all hours for the fastest growing segment of the driving population: Seniors.

Highways in rural States serve as a bridge for motorists, truck and bus drivers, motorcyclists and RVers traveling between metropolitan areas; so, the residents of the cities need the rural highways. And those highways link our rural communities and businesses to the national and international economy. Highway investments help farmers and ranchers by making agricultural trade efficient so that products are fresh for consumers. Rural highways provide safe access for truckers and construction equipment to domestic energy sources to help keep fuels affordable. Federal-aid highway funds provide critical assistance to those who live and travel in rural communities that need life-saving deployment of safety infrastructure and devices. For remote, economically challenged communities, highways are literally a lifeline.

In more urbanized States and in metropolitan areas, highway funds help address costly, frustrating traffic congestion. According to Inrix, the United States has the third most congested roads in the world. Congested bottlenecks affect the flow of logistics across the entire country. In fuel and time alone the costs exceed \$100 billion per year. But the true cost of congestion may be many times that amount once safety, stress and other health impacts, unreliability in the logistics chain, emergency medical service delays, and reduced access to labor markets are figured in. If States are unable to fund congestion relief projects, the impacts will be felt far beyond individual metropolitan areas, they will affect the entire country the way blizzards affect the network of airports.

In every State, the most economically critical road infrastructure network is the National Highway System (NHS) program, which includes the Interstate Highway System. The National Highway Performance Program (Sec. 1106 of MAP-21) funds the NHS, focusing attention to the most critical 4% of our road network, which serves 40% of traffic (including 85% of truck traffic and 90% of tourism traffic). It is of critical federal interest that this system remains robustly funded by Congress.

Federal support for the Interstate routes, in particular, keeps that network safe and efficient in both rich States and poor States; free of tolls, and open for business. The benefits are extraordinary and a failure to support this system would likely pit States against one another for toll revenue, significantly harming the efficient movement of interstate commerce.

### **Refuting the Myth that Highway Needs have Lessened**

As the economy weakened over the past decade, some have argued that teens and young adults don't want cars or that driving is losing its appeal and, therefore, America no longer needs to invest more in highways or should divert highway user fees to other modes. When VMT dropped slightly and briefly during the recession, only 1% of the drop could be attributed to growth in other modes. And while many teens are getting licenses later for a variety of reasons (e.g. more young adults living with parents, graduated license restrictions, and a general lack of employment), these may be temporary phenomena. Some have also claimed that the growth in highway travel has become irreversibly disconnected to its traditional correlation with growth in the economy. But even if highway use does grow more slowly than GDP, America's road congestion is still increasing at the fourth-highest rate compared to all other countries. At

a minimum, traffic will grow at least as fast as population growth and we remain a growing country. In addition, freight traffic continues to soar. Even in a so-so economy and with an unpredictable economic future, investment in road improvements remains a smart move for America.

### **Funding the Needs**

For obvious reasons, and unlike many transportation stakeholders, the American Highway Users Alliance has not always jumped at the idea of raising user taxes on drivers. However, there are two main reasons that we urge Congress in the strongest possible terms to raise rates now:

First, the passage of MAP-21 went a long way toward restoring public trust in federal transportation programs. Before MAP-21, it was no secret that many Americans were upset with what they heard in the press about wasteful spending. Many felt that the old “TEA”-era programs were allowing too much waste, diversion, and the construction of so-called bridges to nowhere. The reforms of MAP-21, including program consolidation and elimination, prioritization of the NHS, more funding for safety projects, NEPA process reforms, attention to the highway freight network, and permit streamlining were absolutely vital. Of course, as last week’s hearing revealed, full and proper implementation of the reforms will be important to increase support for more funding.

Second, as discussed earlier, the Highway Trust Fund is in an extraordinarily bad fiscal situation. The Highway Users strongly supports user-pay/user-benefit concept that underpins the Highway Trust Fund. And as users, we agree that we are not currently paying enough to even maintain existing conditions.

At this point, the Committee is focused on preventing a catastrophic cut, but as part of a long-term reauthorization bill, there also should be some consideration to providing funding to reverse this decline and begin to meet needs. According to the most recent USDOT Conditions and Performance report, an annualized growth rate of around one percent above the rate of inflation is needed just to keep our roads from getting worse.

Of course, it would be better to actually improve conditions. Implementing the full range of cost beneficial projects would require an annual increase of between five and six percent above the rate of inflation. It would be far better for the users to pay more and actually experience improvements than to set revenue levels inadequately and have the public feel like they’re paying more while the system continues to decay (albeit more slowly).

As an organization, the Highway Users is open to many options to fund the Highway Trust Fund. However, it is clear that some ideas are better than others. Here are three principles that are important to consider:

- (1) **The funding solution must keep the Highway Trust Fund solvent.** Some have suggested the Highway Trust Fund has outlived its usefulness because revenue is

currently insufficient. We disagree. As the country faces growing pressure to balance the budget and reduce debt, the presence of the Highway Trust Fund locks off funding for its intended purpose. It creates the trust for the taxpayers that their use taxes will be spent primarily on roads and bridges.

- (2) **Keep the base broad.** The genius of the user tax on gasoline and diesel is that everyone who uses the road pays and the users (and country as a whole) benefits. With everyone paying a little bit, no single group is singled out to pay an unreasonable amount. According to GAO, a mere \$96 in federal gas taxes is collected for the annual use of a typical sedan. It's an incredible deal for unfettered access to a vast highway network.
- (3) **Solve the problem once and for all.** The funding solution should be sustainable over the long-term so that reauthorization bills can be enacted with stable, predictable, and guaranteed funding levels for a minimum of five years at a time. The problem with the current, static, per-gallon gasoline tax is that it doesn't automatically adjust with the variables that impact its purchasing power.

If we cannot meet all three principles, we should get as close as possible: It may be necessary to look once again at the general fund to get us through the fiscal cliff or split the funding between the trust fund and the general fund (much like the transit program does) for a few years until revenue increases are fully sufficient. After all, highway investments provide benefits to the taxpaying public at-large, not just road users.

### **Specific Revenue-Raisers to Consider**

In keeping with the three principles discussed above, the American Highway Users Alliance is open to a number of options for raising revenue. The most obvious solutions include:

1. **Adjust the fuel tax once to take into account inflation** lost since 1993 (the last time fuel taxes were raised).
2. **Index fuel taxes to one or more variables** to maintain or increase purchasing power over time.
3. **Tax fuel as a percent of wholesale fuel costs at the terminal rack** with additional protections to ensure stability when prices are volatile.
4. **Supplement certain or all highway programs with a general fund contribution.** After all, everyone benefits from good roads.

We are also open to other solutions such as various bonding proposals, repatriation of foreign assets, energy royalty revenues, and some of the other concepts discussed by the National Policy and Revenue Study Commission and National Transportation Finance Commission.

**Funding Options that We Oppose**

1. **Tolling Existing Free Lanes on the Interstates.** The current pilot programs to do so have proven to be spectacular failures. Not a single interstate has been tolled. Where it has been tried, the public has failed to support those who claim that the tolls will be targeted primarily at visitors from other neighboring States. While interstate truckers and truck stops fought back, it was typically local community opposition that stopped these projects in their tracks. The pilot programs have failed and they should be repealed. However, Congress should keep the compromise reached in MAP-21, which allows tolling of new lanes and new roads.
2. **Raising the Federal Excise Tax on Trucks.** The 12% retail tax on trucks and truck equipment (FET) is already excessive. Unlike the rest of the cost of a truck, it cannot be financed and puts the price of trucks and equipment out of the reach of many. It is also the most unpredictable and unstable of all the sources of revenue in the fund. A higher diesel tax makes much more sense than raising this sales tax.

**Conclusion**

Last year, this Committee, with leadership of the Chairman and Senator Inhofe, showed that Members of Congress of all political stripes can come together when it comes to building America’s infrastructure. MAP-21 was a great example of doing the right thing for the American people. Still, we can do better. Fiscal sustainability can be achieved and reforms can be further strengthened, where appropriate. But the road ahead will be a hard one to travel. As highway users, we are ready to pay more to keep the Highway Trust Fund solvent so that we can rebuild America’s highways and bridges.

But – and this is important – it is in the national interest that we solve this problem. As I have noted, and as you will hear from others, the highway investments help improve safety and contribute to economic competitiveness and personal mobility. These benefits reach every corner of the country, urban and rural, and all kinds of people and businesses -- farmer and office worker, trucker and tourist.

Thanks again for the opportunity to appear today and for your consideration of our views.

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Appendix (one page)

*Appendix*

**MAP-21 Programs & Reforms Supported by the American Highway Users Alliance**

*We supported:*

- A strong focus on the NHS (federalism and economic growth)
- The funding increases for FHWA's safety program (but tweaks are needed)
- Bridge and tunnel inspection standards
- Development of the critical freight highway network
- Reform of and funding increases for TIFIA
- Streamlining (requires implementation, oversight, and review!)
- Inclusion of performance measures (but we are waiting to see how they're implemented)
- The compromise position on Interstate tolling (new capacity OK, no tolling of existing free lanes)
- Consolidation and elimination of low-priority programs and reform of the Transportation Enhancement program (however, we do support funding Recreational Trails)
- Consistency on elimination of earmarks (if none for Congress, then none for the Executive Branch)