



## **“The Need to Invest in America’s Infrastructure and Preserve Federal Transportation Funding”**

Testimony Presented to the Committee on Environment and Public Works  
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Chairman Boxer, Senator Vitter and members of the Committee, thank you very much for inviting me to testify on behalf of the American Road and Transportation Builders Association (ARTBA) on the importance of federal surface transportation investment and the challenges facing the Highway Trust Fund.

Established in 1902, ARTBA is the oldest national transportation construction-related association. ARTBA’s more than 6,000 members include public agencies and private firms and organizations that own, plan, design, supply and construct transportation projects throughout the country and world. The industry we represent generates more than \$380 billion annually in U.S. economic activity and sustains more than 3.3 million American jobs.

At the outset, I would like to thank all members of this Committee for your work and leadership in reauthorizing the federal highway and public transportation programs in the last Congress. The result of your efforts has been a much-needed stabilization of the transportation construction marketplace. Additionally, policy reforms are underway that will greatly improve the effectiveness of future federal surface transportation investments.

Given your efforts in the last Congress and the challenges you overcame, the problems facing the Highway Trust Fund are well known to this Committee as well as to outside analysts and transportation stakeholders.

In 1956, Congress created the Highway Trust Fund (HTF) to ensure that taxes levied on highway users, not general taxpayers, would be the source of funding for federal investments in highways, including the Interstate Highway System and other highways of importance to the national economy<sup>1</sup>. For more than 50 years, revenues from highway user taxes, including the

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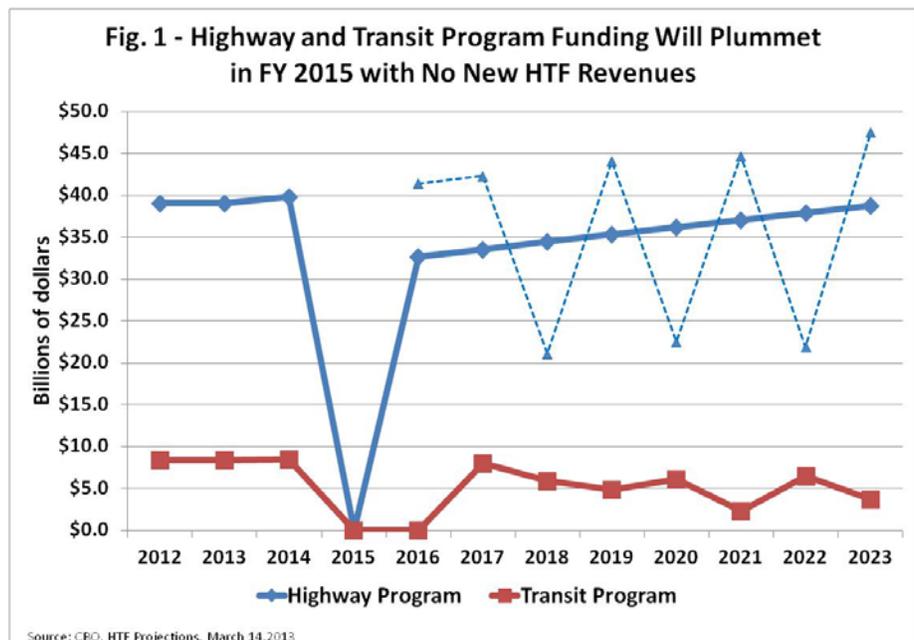
<sup>1</sup> Since 1982, the HTF has also funded federal investment in Mass Transit.

tax on gasoline and diesel fuels and taxes on heavy trucks, paid for all federal investment in highways and mass transit with no burden on the general fund. In FY 2008, however, HTF revenues fell short of the amount needed to pay all obligations, and Congress closed this gap with a general fund transfer that restored resources previously withdrawn from the fund that were allocated to deficit reduction. Congress made additional transfers from the general fund during FY 2009 and FY 2010 to compensate the trust fund for previously foregone revenues to mitigate additional revenue shortfalls.

The Moving Ahead for Progress in the 21<sup>st</sup> Century Act (MAP-21), the surface transportation authorization law enacted in July 2012 to fund the federal highway and mass transit programs for FY 2013 and FY 2014, provided \$40 billion each year for highways and \$10.5 billion for transit, \$8.5 billion of which is funded from the Mass Transit Account of the Highway Trust Fund. Supporting these levels of investment required Congress to transfer more than \$20 billion from elsewhere in the federal budget to the Highway Trust Fund. These resources, however, will be fully utilized by the time MAP-21 expires in FY 2014.

The clear lesson from FY 2008 – FY 2014 is that revenues from the highway user taxes, at existing rates, are too low to support continued federal highway and public transportation investment at current levels. In fact, the July projections from the Congressional Budget Office (CBO) show the Highway Trust Fund would be unable to support any new obligations for highway and transit improvements in FY 2015, as all revenues collected that year would be needed to pay existing obligations. It is also possible the Mass Transit Account would be unable to fund any new transit obligations in FY 2016.

After that, funding for the highway program would average under \$36 billion per year between FY 2016 and FY 2023, either growing gradually in line with inflation as the solid line in Figure 1 shows or more variably if obligations each year were determined by available revenues, as



the dotted line shows<sup>2</sup>. Transit funding from the trust fund would fall to an average of \$5 billion per year, with CBO's projection of annual funding levels shown by the red line.

Congress has three options for addressing the revenue shortfall:

- Permit highway and transit program funding to fall to the levels that can be supported by existing revenues, as shown in Figure 1. Funding would be substantially less than at present and far short of the amount of federal investment needed to maintain existing conditions and performance on our nation's highways and mass transit systems.
- Continue MAP-21 highway and transit investment levels by making annual transfers from the general fund. According to recent CBO testimony, the cost between FY 2015 and 2023 would be over \$135 billion, which would either add to the projected budget deficit or force Congress to cut \$135 billion from other programs.
- Close the HTF revenue gap by raising rates on existing highway user taxes or enacting new taxes. CBO testified that this could be accomplished with a 10-cent per gallon increase in the federal tax on gasoline and diesel fuel. Alternatively, Congress could enact new highway user fees, such as a vehicle-miles-traveled (VMT) tax, a tax on freight shipments, or other use-based mechanisms.

There is widespread awareness of the political obstacles to increasing Highway Trust Fund revenues, and I don't need to discuss those. What I would like to do today is raise awareness of what the trust fund delivers and the implications of reducing federal transportation investment to the level of existing tax revenues.

### **State-by-State Impact of Federal Highway Investment**

For almost 100 years, the federal government has shared the cost to the states of capital improvements to highways that are important for the performance of the national economy.

Our analysis of data from the Federal Highway Administration, covering the decade 2001-2011, shows that reimbursements to the states from the federal highway program account for an average of 51.6 percent of all state capital investments in highways and bridges. Since most federal aid program funds are used for capital outlays, this measure is an indicator

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<sup>2</sup> CBO's projections are based on maintaining a \$4 billion balance in the Highway Account and \$2 billion in the Transit Account. If balances were allowed to fall below those levels, possible funding for each program would be a bit higher, but in no case would approach existing funding levels. The CBO projection sets new highway obligations each year at the level that would spend all available revenues except a \$4 billion balance. The solid line calculated by ARTBA has the same total obligations but smoothes the path.

of how important this national program is to each state highway and bridge construction market.

The attached table shows how much each state relies on the federal highway program to finance its highway infrastructure improvements, ranging from 35.3 percent for New Jersey to more than 80 percent for Rhode Island, Alaska, Montana and Vermont. Thirty-two states rely on the federal highway program to support more than half of their annual highway and bridge outlays.

Madame Chairman — as the table below shows, during the past decade California has relied on the federal highway program for just over 48 percent of its highway and bridge capital improvements. This year, California received more than \$2.9 billion of new obligation authority for highways under MAP-21. Louisiana over the past decade depended on the federal highway program for more than 47 percent of its highway capital investment and received more than \$629 million of obligation authority this year.

**Most states are highly dependent on the federal aid program for their highway and bridge construction market. Relationship of federal aid reimbursements and state spending on highway and bridge capital outlays.**

**Average for 2001-2011**

State	Federal reimbursements as a % of total state capital outlays (includes construction costs, preliminary engineering and right of way expenditures)	State	Federal reimbursements as a % of total state capital outlays (includes construction costs, preliminary engineering and right of way expenditures)
Alabama	67.7%	Rhode Island**	101.5%
Alaska**	93.2%	Alaska**	93.2%
Arizona	49.0%	Montana**	87.3%
Arkansas	62.3%	Vermont**	86.3%
California	48.6%	South Carolina	79.3%
Colorado	63.5%	Hawaii	79.2%
Connecticut	70.6%	North Dakota	77.8%
Delaware	41.3%	Wyoming	72.5%
Dist. of Col.	52.2%	South Dakota	71.2%
Florida	38.6%	Connecticut	70.6%
Georgia	61.8%	New Mexico	70.2%
Hawaii	79.2%	Idaho	68.0%
Idaho	68.0%	New Hampshire	67.7%
Illinois	38.7%	Alabama	67.7%
Indiana	54.4%	Missouri	65.2%
Iowa	59.4%	Mississippi	64.8%
Kansas	48.7%	Colorado	63.5%
Kentucky	43.9%	Minnesota	63.5%
Louisiana	47.5%	Oklahoma	63.0%
Maine	57.4%	Arkansas	62.3%
Maryland	47.9%	Tennessee	61.8%
Massachusetts	36.5%	Georgia	61.8%
Michigan	40.8%	West Virginia	60.9%
Minnesota	63.5%	Iowa	59.4%
Mississippi	64.8%	Ohio	57.9%
Missouri	65.2%	Maine	57.4%
Montana**	87.3%	Virginia	56.7%
Nebraska	48.5%	Wisconsin	55.0%
Nevada	49.2%	Indiana	54.4%
New Hampshire	67.7%	Oregon	54.1%
New Jersey	35.3%	New York	53.7%
New Mexico	70.2%	Dist. of Col.	52.2%
New York	53.7%	Nevada	49.2%
North Carolina	48.0%	Arizona	49.0%
North Dakota	77.8%	Kansas	48.7%
Ohio	57.9%	California	48.6%
Oklahoma	63.0%	Nebraska	48.5%
Oregon	54.1%	North Carolina	48.0%
Pennsylvania	45.6%	Maryland	47.9%
Rhode Island**	101.5%	Louisiana	47.5%
South Carolina	79.3%	Texas	47.0%
South Dakota	71.2%	Pennsylvania	45.6%
Tennessee	61.8%	Washington	44.6%
Texas	47.0%	Kentucky	43.9%
Utah	38.3%	Delaware	41.3%
Vermont**	86.3%	Michigan	40.8%
Virginia	56.7%	Illinois	38.7%
Washington	44.6%	Florida	38.6%
West Virginia	60.9%	Utah	38.3%
Wisconsin	55.0%	Massachusetts	36.5%
Wyoming	72.5%	New Jersey	35.3%
<b>Total</b>	<b>51.6%</b>	<b>Total</b>	<b>51.6%</b>

Source: ARTBA analysis of Highway Statistics, tables SF-1 and SF-2, total averages for 2001 to 2011.

\*\* In a few cases total federal reimbursements are greater than total capital spending or above 80 percent. This can happen because although most federal aid dollars are used for capital outlays, reimbursements also include debt service for GARVEE bonds. Typically the cost of federal aid construction projects are split 80/20 between the federal and state government, but there are exceptions for some programs, including the American Recovery and Reinvestment Act (ARRA) funds, the Alaska Marine Highway System, the Appalachian Development Highway Program, emergency repair funds and some safety programs. In this case the federal share may be as high as 100%.

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How many states could fill the gap if Congress reduces federal highway investment to the level of Highway Trust Fund revenues? How would California make up the hundreds of millions of dollars it would lose? How would Louisiana make up its loss? How will states like South Carolina or North Dakota, which are dependent on the federal highway program for almost 80 percent of their highway capital spending, meet their highway investment needs if Congress slashes the federal highway program?

The most likely result is that state after state would slash its highway construction program, allowing roads and bridges to deteriorate and foregoing improvements needed to keep the U.S. transportation system and economy productive and competitive. Tens of thousands of jobs would be eliminated in the construction industry, supplier industries and the rest of the economy, further weakening the economy at a time it is being kept on life-support by the Federal Reserve.

Given the current situation for highway and bridge contractors, further decline in the market would have dire consequences. The amount of real pavement work is on track to decline eight percent in 2013 compared to 2012. The real value of work on highways and bridges has dropped 30 percent since 2009. The outlook is mixed from state to state—over the past 12 months the value of new highway and bridge starts is up in 17 states, down in 23 states and fairly flat within plus or minus five percent in 11 states.

As a result of the continued market slowdown, employment by highway and bridge contractors continued to decline over the summer, compared to last year. Average employment through July 2013 is down 16 percent compared to pre-recession levels. Highway and bridge contractors today employ nearly 50,000 fewer men and women than they did in 2008.

Our contractors also have the ability to take on more work. Nearly one-third of the respondents to our most recent contractor survey said they were working at or below 75 percent of their capacity.

Highway and bridge construction has a widespread impact throughout the economy. Let me address the economic impact of transportation investment in more detail.

### **Contribution of the Highway Trust Fund to the U.S. Economy**

A safe and efficient transportation system is one of the fundamental requirements of a modern economy. Virtually every business and industry depends on the national transportation system to obtain needed materials and labor and to get goods and services to customers. Every household depends in some measure on the transportation system for access to work,

shopping, medical care, church, family and entertainment. Millions of workers depend directly on the transportation system for jobs - auto workers, bus and truck drivers, airline workers, auto mechanics and gas station attendants, and hotel employees, among others.

Jobs: Building and maintaining the nation's transportation infrastructure is itself a major source of jobs in the U.S. Every \$1 billion invested in highways supports 27,823 jobs, according to the Federal Highway Administration, including 9,537 on-site construction jobs, 4,324 jobs in supplier industries and 13,962 jobs throughout the rest of the economy. Investment in other modes would support a similar number of jobs.

In 2012, almost \$119 billion worth of construction work was performed on transportation projects, including highways, bridges, subways, light rail systems, freight rail, airports and water ports. This investment supported more than 3.3 million jobs in the U.S., including just over one million construction jobs.

But focusing just on the jobs supported by the Highway Trust Fund sells its importance short. Far more important in the long run is the contribution of highways to economic activity and jobs throughout the entire economy.

The simple fact is that more than 70.9 million American jobs in just tourism, manufacturing, transportation and warehousing, agriculture and forestry, general construction, mining, retailing and wholesaling alone are dependent on the work done by the U.S. transportation construction industry. These dependent industries provide a total payroll in excess of \$2.67 trillion and their employees contribute more than \$230.7 billion annually in state and federal payroll taxes.

Freight: In 2010, according to the Federal Highway Administration, more than \$16.0 trillion dollars of freight was shipped in the U.S. including \$13.0 trillion of domestic shipments and \$3.0 trillion of exports and imports. Two-thirds of the total, or \$10.8 trillion, was shipped by truck on the nation's highways. Another 17 percent, or \$2.7 trillion, involved multiple modes including trucks, which means trucks were involved in 82 percent of all freight shipped in the U.S. in 2010. Rail, air, water and pipelines accounted for the remaining 18 percent of freight shipments.

The Federal Highway Administration estimates that the volume of freight shipments will more than double between 2010 and 2040 to almost \$39.5 trillion in constant dollars, with \$21.8 trillion of that carried by truck and \$10.3 trillion by intermodal combinations that include trucks. The growth will put enormous pressure on every element of the nation's transportation infrastructure.

Benefits to businesses: Businesses have always depended on the nation's transportation system to connect to suppliers and customers, but during the past 25 years improvements in transportation have also been a major source of productivity increases and reduced costs for many U.S. businesses. Manufacturers and retailers today use the just-in-time delivery system to assure materials are available when needed in the manufacturing and production process and finished goods arrive at retail stores and customers' docks in a timely manner. This has greatly reduced the need and expense of warehousing inventory, freeing up scarce capital to invest in, and make improvements to, other business activities like technology, product quality and marketing.

Just-in-time logistics, however, require a dependable transportation system, which is threatened by the ever-growing problem of congestion on our highways, rails, airports and water ports. Congestion makes transportation slower, more costly and unreliable. Adapting to congestion requires scheduling more time for trips, which raises labor costs, or holding more inventory which ties up capital. When that happens, the economy becomes less productive, costs increase and living standards decline.

Personal mobility: Americans are among the most mobile people on earth. In 2009, the latest year for which data are available, Americans traveled a total of 4.85 trillion miles by all transportation modes, or an average of 15,791 miles per person. Most of the travel, 3.9 trillion miles, or 81.1 percent, of the total, was by automobile, truck or motorcycle, an average of 13,799 miles per person.

Virtually every trip has an economic purpose or impact on the economy. Most obvious is the daily commute to and from work for the nation's 136 million workers. But every trip to the grocery store or shopping center has an economic impact, as do trips to restaurants, to the movies, to vacation spots, to school, even to church where the weekly offering helps maintain the building and clergy. And many trips are essential to our quality of life, including visits to family and friends, a night out after a hard day's work, or an emergency trip to the hospital.

Defense and security: The U.S. transportation infrastructure network is critical to our national defense and homeland security. More than 60,000 miles of roads have been designated part of the Strategic Highway Network, including the entire Interstate Highway System, because of their important role in transporting military equipment and personnel. Roads also comprise the primary evacuation routes in the event of an attack by a foreign enemy such as that on the World Trade Center in 2001, or a natural disaster like Hurricane Katrina in 2005 and Hurricane Sandy in 2012. These disasters pointedly showed the need for both adequate capacity and redundancy in the nation's transportation system.

## Highway Travel and Highway Trust Fund Revenues

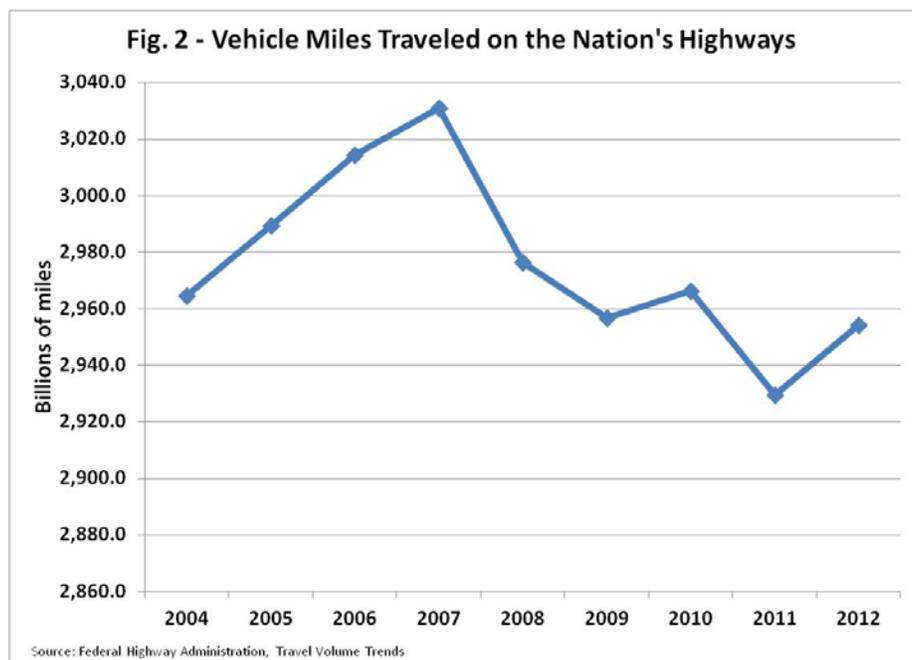
As Congress works to address the Highway Trust Fund revenue shortfall, there are numerous options for generating new revenues. Reports by the National Surface Transportation Policy and Revenue Study Commission and the National Surface Transportation Infrastructure Financing Commission created by SAFETEA-LU offered a number of possible alternatives, while other groups including ARTBA have offered additional recommendations<sup>3</sup>.

One option that should be on the table is raising the federal gas tax which, despite the recent shortfall in Highway Trust Fund revenues, remains a viable revenue source for the Highway Trust Fund.

One argument often raised against a gas tax adjustment is that people are not driving as much as in the past, thus reducing the future investment needed to maintain and improve the nation's highways. Less travel would also reduce the viability of the federal motor fuel taxes as a source of revenues to finance federal investment in highway improvements.

While it is difficult to predict the future, including highway travel, the facts suggest it is premature to conclude that a long-term change has occurred in America's highway use or future highway investment needs.

First, a downturn in vehicle miles traveled did happen after 2007 following years of steady growth, as shown in Figure 2. However, the downturn was caused by the 2007-09 economic recession rather than a change in long-term driving trends. The Great Recession was the nation's worst economic downturn since the Great Depression of the 1930s.



U.S. Gross Domestic Product fell 4.7 percent, the unemployment rate soared to 10.0 percent

<sup>3</sup> See, for example: "Paying Our Way: Report of the National Surface Transportation Infrastructure Financing Commission," February 2009, Chapter 3; and "The Budgetary Impact of Highway Transportation Services Tax" prepared by PricewaterhouseCoopers LLP for the American Road & Transportation Builders Association, June 2009.

and 8 million Americans lost their jobs. Freight shipments plunged. As a result, between 2007 and 2011, vehicle miles traveled on the nation’s highways fell 100 billion or 3.3 percent.

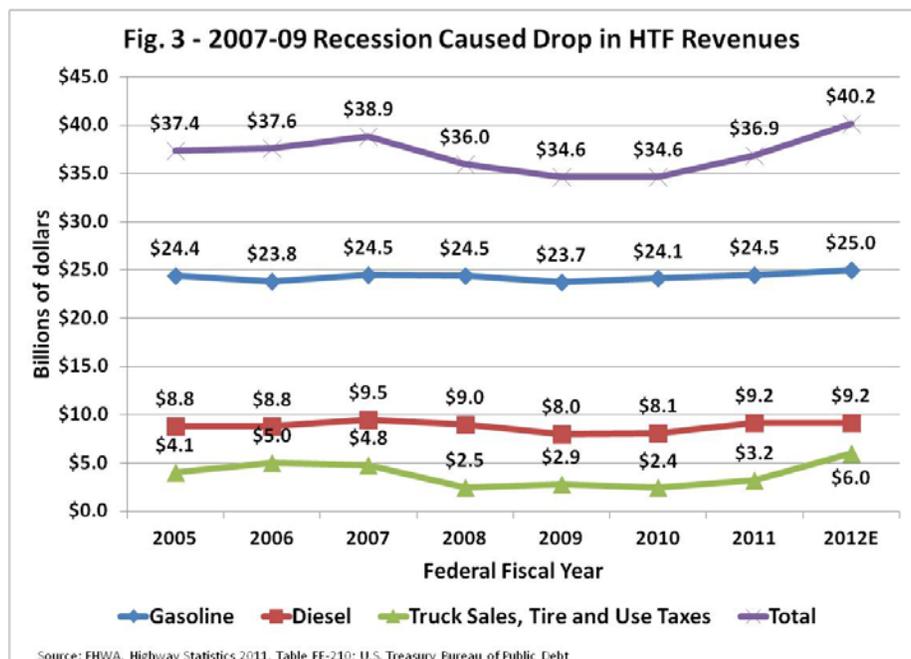
The economy is now, fortunately, improving. With employment rising and unemployment declining, the long-term growth of highway travel is resuming. In 2012, vehicle miles traveled on the nation’s highways rose 25 billion miles, offsetting one-quarter of the recession-driven decline.

And there are a number of reasons why the travel demand should continue to grow well into the future. Each year, the U.S. population grows just under 3 million while the number of licensed drivers grows more than 2 million. With each driver in the U.S. averaging 12,000 miles per year, population growth alone will drive VMT up about 25 billion miles per year. And, according to the U.S. Energy Information Administration (EIA), VMT per driver is expected to grow to 13,300 miles by 2040, propelled by a projected 95 percent increase in disposable personal income between now and then. Population growth and the projected growth of VMT per driver will thus add more than 1 trillion miles of travel on the nation’s highways over the next 30 years, a 33 percent increase. This will result in more wear and tear and congestion, and the need for more, not less, highway investment!

Truck travel is also rebounding from the recession and is expected to grow substantially in the years ahead. Although freight shipments by truck fell from 12.8 billion tons in 2007, the pre-recession peak, to 11.3 billion tons in 2011, the Federal Highway Administration projects truck freight will grow to 18.8 billion tons by 2040, an increase of almost 50 percent from the 2007 pre-recession peak. Projections by the EIA of fuel use by heavy trucks show a similar increase, growing almost 47 percent between 2011 and 2040. Trucks cause far more wear and tear on highways than do personal cars and SUVs, so the projected growth of truck traffic suggests the need for

highway investment will increase even more rapidly than the growth of total vehicle miles on the nation’s highways.

Highway Trust Fund revenues confirm this analysis of VMT, with a recession-caused decline followed by projected growth in the years ahead. As Figure 3



shows, total HTF revenues fell substantially after 2007, plunging almost 11 percent by the time the economy bottomed out in 2009 and 2010. However, almost all the revenue decline was related to the decline in freight shipments by truck, with revenues from the federal excise tax on diesel fuel falling almost 16 percent from the economic peak to trough and revenues from taxes on large trucks declining almost 50 percent. By contrast, revenues from the federal gas tax, which tracks personal travel, fell only 3.2 percent from peak to trough.

Furthermore, as Figure 3 shows, revenues have rebounded substantially now that economic growth has resumed, with truck tax receipts hitting a record in 2012 and gas tax revenues exceeding the 2007 pre-recession peak. On a longer-term basis, the Congressional Budget Office's latest Highway Trust Fund outlook anticipates that total revenues will continue to increase, although at a more moderate pace, for at least the next decade.

The recent weakness in vehicle miles traveled on the nation's highways was caused by the 2007-2009 Great Recession, not a long-term change in American driving habits. With many Americans out of work and freight shipments down, the recession caused a temporary lull in highway use in the United States. But economic growth has resumed, employment is rising and unemployment falling, and freight shipments have rebounded, all contributing to renewed growth of highway travel. VMT rose in 2012 and should continue rising in the long-run. This, plus a substantial increase in truck traffic, means the need for investment in highway and bridge improvements will continue to grow in the years ahead.

### **Alternative Fuel Vehicles and Highway Trust Fund Revenues**

Some analysts argue that alternative fuel vehicles and increased fuel economy requirements mean a demise of the motor fuel excise taxes as a reliable revenue source for the Highway Trust Fund.

Alternative fuels are not eroding the federal motor fuel tax base. Two-thirds of all alternative-fuel vehicles are cars that run on E85 ethanol, which pays the same tax as gasoline into the HTF. Under current law, all other alternative fuels, such as CNG and LPG, except electricity, are taxed at the energy equivalent of gasoline. Electric cars pay no tax into the HTF but the number is miniscule. In 2010, there were only 57,000 electric cars, less than .02 of one percent of all vehicles, representing a tax loss of just over \$5 million.

Increased fuel economy standards will reduce the future growth of HTF revenues, but the impact will be very gradual. First, increased fuel economy standards are being phased in, and will not be fully implemented until 2025. Furthermore, given current new vehicle purchase and vehicle retirement rates, it takes well over 15 years for the fleet of motor vehicles to be fully replaced. HTF revenues will grow even with the new CAFÉ standards, but at a slower rate.

The root of the trust fund's revenue challenge is not reduced driving or alternative-fueled vehicles dominating the U.S. automobile fleet or improved fuel economy, but a more direct and obvious flaw: the federal motor fuels tax and other highway user fees have not been adjusted for 20 years. Existing revenues are about \$15 billion short of the amount needed to maintain current levels of federal highway and transit investment, and at least \$25 billion short of the investment needed just to maintain current physical and performance conditions on the nation's highways and public transportation systems.

### **Devolving the Federal Highway Program to the States**

The final issue I want to address in my statement is the concept of devolving the federal highway program to the states.

Periodically, members of Congress introduce legislation to drastically scale back the federal highway program, devolve responsibility for highways almost entirely to state and local governments and reduce the federal gasoline tax to a few cents per gallon. The thinking behind this is that state and local governments have better knowledge of their highway investment needs than the federal government and thus can make better investment decisions. They also have a better sense of the willingness of local taxpayers to finance highway improvements and thus could do a better job of determining how and by how much to replace the lost federal aid.

Highway investment is not just a state and local issue. No state exists in an economic vacuum. The economic prosperity of each state depends heavily on the ability of its local businesses to access markets and customers around the country. That access is provided primarily by highways. Even if a state were to do an outstanding job of building and maintaining its own highways, that effort would support only a small fraction of the state's overall economic activity. The state's economy would still be vulnerable to highway investment decisions made by policymakers in other states.

The importance of a nationwide freight system to the economic prosperity of each state is illustrated by the data in Tables 2 and 3. Table 2 shows, for 2011 (the latest data available), that, nationwide, nearly 72 percent of all freight was shipped solely by truck over the nation's highways. For some states, like Georgia, North Carolina and Wisconsin, the fraction was much higher—over 85 percent.

Table 2. Importance of Truck Transportation to State Economic Prosperity					
(Billions of dollars)					
State	Total value of products shipped	Products shipped by truck		Products shipped by other modes	
		Value	Percent of total	Value	Percent of total
Alabama	\$239.9	\$186.2	77.6%	\$53.7	22.4%
Alaska	\$316.8	\$17.1	5.4%	\$299.7	94.6%
Arizona	\$286.2	\$230.9	80.7%	\$55.3	19.3%
Arkansas	\$145.2	\$119.2	82.1%	\$26.0	17.9%
California	\$2,270.7	\$1,642.9	72.4%	\$627.8	27.6%
Colorado	\$214.6	\$157.7	73.5%	\$56.9	26.5%
Connecticut	\$178.6	\$139.8	78.3%	\$38.8	21.7%
Delaware	\$50.9	\$35.6	70.0%	\$15.3	30.0%
Florida	\$740.3	\$622.0	84.0%	\$118.3	16.0%
Georgia	\$589.3	\$503.8	85.5%	\$85.5	14.5%
Hawaii	\$61.0	\$39.6	65.0%	\$21.3	35.0%
Idaho	\$79.9	\$50.2	62.9%	\$29.6	37.1%
Illinois	\$898.4	\$652.7	72.7%	\$245.6	27.3%
Indiana	\$458.7	\$368.4	80.3%	\$90.3	19.7%
Iowa	\$221.5	\$187.0	84.4%	\$34.5	15.6%
Kansas	\$210.3	\$153.4	72.9%	\$56.9	27.1%
Kentucky	\$306.5	\$221.2	72.2%	\$85.3	27.8%
Louisiana	\$531.9	\$171.8	32.3%	\$360.1	67.7%
Maine	\$79.1	\$65.5	82.8%	\$13.6	17.2%
Maryland	\$235.3	\$199.3	84.7%	\$36.0	15.3%
Massachusetts	\$285.3	\$222.7	78.1%	\$62.5	21.9%
Michigan	\$584.0	\$444.1	76.0%	\$139.9	24.0%
Minnesota	\$367.1	\$241.5	65.8%	\$125.5	34.2%
Mississippi	\$152.6	\$112.6	73.8%	\$39.9	26.2%
Missouri	\$300.1	\$233.7	77.9%	\$66.4	22.1%
Montana	\$90.0	\$42.9	47.7%	\$47.1	52.3%
Nebraska	\$120.6	\$97.0	80.4%	\$23.6	19.6%
Nevada	\$88.6	\$73.9	83.4%	\$14.7	16.6%
New Hampshire	\$104.2	\$62.4	59.9%	\$41.8	40.1%
New Jersey	\$654.0	\$490.5	75.0%	\$163.5	25.0%
New Mexico	\$73.4	\$41.5	56.5%	\$31.9	43.5%
New York	\$1,002.0	\$775.4	77.4%	\$226.5	22.6%
North Carolina	\$425.9	\$379.8	89.2%	\$46.0	10.8%
North Dakota	\$134.4	\$69.7	51.9%	\$64.6	48.1%
Ohio	\$747.1	\$597.1	79.9%	\$150.0	20.1%
Oklahoma	\$209.5	\$156.1	74.5%	\$53.4	25.5%
Oregon	\$218.5	\$176.7	80.9%	\$41.8	19.1%
Pennsylvania	\$728.0	\$581.0	79.8%	\$147.1	20.2%
Rhode Island	\$40.6	\$34.2	84.1%	\$6.5	15.9%
South Carolina	\$271.1	\$230.2	84.9%	\$40.9	15.1%
South Dakota	\$70.9	\$53.7	75.8%	\$17.2	24.2%
Tennessee	\$515.1	\$416.9	80.9%	\$98.2	19.1%
Texas	\$2,169.7	\$1,277.8	58.9%	\$891.9	41.1%
Utah	\$154.7	\$99.2	64.1%	\$55.5	35.9%
Vermont	\$38.7	\$27.0	69.8%	\$11.7	30.2%
Virginia	\$356.1	\$290.3	81.5%	\$65.8	18.5%
Washington	\$452.1	\$275.0	60.8%	\$177.1	39.2%
Washington, D.C.	\$6.6	\$5.9	89.1%	\$0.7	10.9%
West Virginia	\$77.8	\$48.7	62.7%	\$29.0	37.3%
Wisconsin	\$322.9	\$277.3	85.9%	\$45.6	14.1%
Wyoming	\$74.0	\$25.8	34.8%	\$48.2	65.2%
US total	\$18,950.5	\$13,625.4	71.9%	\$5,325.1	28.1%

Source: 2011 data, U.S. Department of Transportation, Freight Analysis Framework

Even more illustrative of the need for a nationwide highway system are the data in Table 3, which breaks down truck shipments into those that remain entirely within each state, short-haul shipments to adjacent states and long-haul shipments that go through one or more states before reaching their destination. As the table shows, about 55 percent of the value of truck shipments remains within the originating state. The remaining 45 percent of shipments go to other states. 19 percent represents short-haul shipments that originate in one state to destinations in adjacent states. The remaining 26 percent are long-haul shipments that go completely through one or more states before reaching their final destinations. The economic prosperity of the states would thus be highly vulnerable if highway responsibilities devolved to state and local governments.

The data clearly demonstrate the dependence of each state's businesses on the highway network in other states. Correspondingly, this information also conclusively proves an efficient national highway system is needed for the movement of freight.

Another little acknowledged shortcoming of devolution proposals is that, to make up for the loss of federal highway funds, states would have to increase their own gasoline tax rates by an average of 21 cents per gallon and diesel tax by an average of 27 cents per gallon or generate a comparable level of revenues from other sources. Although some states have recently raised their own highway taxes, in most states there is no more political will to increase taxes than in the U.S. Congress, which has failed to increase the federal gas tax since 1993 despite growing highway traffic, increased congestion, higher construction costs and the widespread recognition that current revenues are woefully inadequate to finance needed federal highway investment.

Devolution thus would have the impact of reducing total investment in highway improvements and result in a deterioration of the ability of our highway system to serve the transportation needs of the national economy.

Table 3. Value of Products Shipped by Truck Within State and to Other States (Billions of dollars)

State	Total value of products shipped by truck	Shipped within the state		Shipped to other states			
		Value	Percent of total	Short-haul to adjacent states	Percent of total	Long-haul through one or more states	Percent of total
Alabama	\$168.1	\$94.1	56.0%	\$32.6	19.4%	\$41.4	24.6%
Alaska	\$14.9	\$14.6	98.4%	\$0.0	0.0%	\$0.2	1.6%
Arizona	\$204.5	\$146.9	71.8%	\$32.8	16.0%	\$24.8	12.1%
Arkansas	\$117.4	\$59.8	50.9%	\$27.8	23.6%	\$29.9	25.5%
California	\$1,165.2	\$915.7	78.6%	\$51.1	4.4%	\$198.3	17.0%
Colorado	\$148.7	\$111.0	74.7%	\$13.0	8.8%	\$24.6	16.6%
Connecticut	\$131.8	\$68.9	52.3%	\$28.0	21.2%	\$34.9	26.5%
Delaware	\$28.9	\$10.6	36.5%	\$6.0	20.6%	\$12.4	42.9%
Florida	\$412.0	\$343.1	83.3%	\$14.1	3.4%	\$54.8	13.3%
Georgia	\$397.7	\$220.0	55.3%	\$98.0	24.6%	\$79.6	20.0%
Hawaii	\$23.2	\$23.2	100.0%	\$0.0	0.0%	\$0.0	0.0%
Idaho	\$42.7	\$28.1	65.9%	\$5.9	13.8%	\$8.6	20.2%
Illinois	\$558.2	\$290.9	52.1%	\$97.2	17.4%	\$170.1	30.5%
Indiana	\$349.1	\$151.0	43.2%	\$86.7	24.8%	\$111.5	31.9%
Iowa	\$182.9	\$104.4	57.1%	\$36.0	19.7%	\$42.6	23.3%
Kansas	\$149.7	\$84.8	56.7%	\$30.2	20.2%	\$34.7	23.2%
Kentucky	\$202.0	\$82.2	40.7%	\$59.6	29.5%	\$60.2	29.8%
Louisiana	\$150.7	\$96.7	64.2%	\$24.0	15.9%	\$30.0	19.9%
Maine	\$36.9	\$22.7	61.5%	\$1.4	3.8%	\$12.8	34.7%
Maryland	\$166.7	\$87.5	52.5%	\$46.0	27.6%	\$33.2	19.9%
Massachusetts	\$192.8	\$114.2	59.3%	\$32.6	16.9%	\$45.9	23.8%
Michigan	\$320.7	\$193.0	60.2%	\$42.9	13.4%	\$84.8	26.4%
Minnesota	\$229.7	\$139.0	60.5%	\$33.9	14.8%	\$56.8	24.7%
Mississippi	\$106.0	\$47.8	45.1%	\$23.3	22.0%	\$34.9	32.9%
Missouri	\$225.8	\$124.2	55.0%	\$50.1	22.2%	\$51.5	22.8%
Montana	\$27.9	\$18.5	66.3%	\$5.8	20.9%	\$3.6	12.8%
Nebraska	\$94.5	\$55.4	58.6%	\$16.1	17.0%	\$23.0	24.4%
Nevada	\$71.0	\$42.8	60.3%	\$19.8	27.9%	\$8.4	11.9%
New Hampshire	\$60.2	\$29.1	48.4%	\$11.3	18.8%	\$19.8	32.8%
New Jersey	\$335.1	\$148.0	44.2%	\$83.9	25.0%	\$103.2	30.8%
New Mexico	\$37.5	\$26.4	70.3%	\$5.9	15.6%	\$5.3	14.0%
New York	\$538.1	\$346.2	64.3%	\$84.9	15.8%	\$107.0	19.9%
North Carolina	\$355.8	\$187.4	52.7%	\$63.4	17.8%	\$105.0	29.5%
North Dakota	\$40.8	\$27.8	68.1%	\$7.1	17.5%	\$5.8	14.3%
Ohio	\$560.6	\$275.0	49.1%	\$115.2	20.5%	\$170.4	30.4%
Oklahoma	\$152.8	\$88.9	58.2%	\$39.1	25.6%	\$24.9	16.3%
Oregon	\$151.9	\$84.4	55.5%	\$47.4	31.2%	\$20.1	13.2%
Pennsylvania	\$511.8	\$277.3	54.2%	\$104.7	20.5%	\$129.7	25.4%
Rhode Island	\$30.1	\$12.9	42.8%	\$7.8	25.9%	\$9.4	31.3%
South Carolina	\$177.3	\$73.9	41.7%	\$33.6	19.0%	\$69.8	39.4%
South Dakota	\$53.1	\$24.7	46.5%	\$21.9	41.3%	\$6.5	12.2%
Tennessee	\$371.8	\$108.8	29.3%	\$99.0	26.6%	\$164.0	44.1%
Texas	\$975.8	\$740.9	75.9%	\$72.3	7.4%	\$162.5	16.7%
Utah	\$97.6	\$61.4	62.9%	\$18.0	18.5%	\$18.2	18.6%
Vermont	\$18.0	\$9.1	50.6%	\$3.4	19.0%	\$5.5	30.4%
Virginia	\$221.6	\$133.5	60.2%	\$32.4	14.6%	\$55.7	25.1%
Washington	\$190.6	\$140.3	73.6%	\$19.9	10.4%	\$30.4	16.0%
Washington, D.C.	\$5.3	\$3.7	70.0%	\$1.5	28.4%	\$0.1	1.6%
West Virginia	\$47.1	\$21.4	45.3%	\$10.6	22.4%	\$15.2	32.2%
Wisconsin	\$267.1	\$135.7	50.8%	\$54.9	20.5%	\$76.6	28.7%
Wyoming	\$25.6	\$18.1	70.7%	\$5.6	21.7%	\$1.9	7.5%
US total	\$8,446.8	\$4,658.7	55.2%	\$1,609.2	19.1%	\$2,178.9	25.8%

Source: 2011 data, U.S. Department of Transportation, Freight Analysis Framework

## Conclusion

Chairman Boxer, the Highway Trust Fund has faced four insolvency crises in the last five years. Congress has responded to each of these situations with temporary solutions that thankfully preserved federal highway and public transportation investment and hundreds of thousands of jobs. While ARTBA has supported each of these short-term measures, I hope we all recognize that we have been treating the symptom and not the disease.

As a result, each successive Highway Trust Fund shortfall has become more severe. According to the CBO, we are now facing a situation where the trust fund would not be able to support any new highway or public transportation investment in FY 2015.

We all know that federal transportation investment can be an economic engine that boosts job creation and overall productivity, but the uncertainty we have seen and continue to face at the federal level is diluting the potential impact of these investments. Members of the transportation design and construction industry are simply not going to make major new investments in personnel and capital until they see a long-term market outlook that will support such business decisions. In fact, we are already hearing reports of states scaling back their construction programs as a result of the looming FY 2015 crisis.

After four separate bailouts and a trust fund revenue stream that has not been enhanced in 20 years, it is hard to suggest we did not see this day coming.

Some may quibble that MAP-21 could have gone farther in its policy reforms and some may feel that it went a little too far. The truth is that no one gets everything they want out of major legislation and MAP-21's reforms were the most substantive refocusing of federal surface transportation policy in decades. As a result of MAP-21, the common criticisms of the highway and public transportation programs—such as too much red tape, not enough state flexibility, and lack of focus—have been rectified. Furthermore, as MAP-21's vote counts in the House and Senate demonstrate, the measure accomplished these goals with overwhelming bipartisan support.

The lone remaining impediment to delivering the national transportation network the American people and the U.S. economy need is a long-term stabilization of the Highway Trust Fund's revenue foundation. While we certainly recognize the difficulty of revenue discussions in this Congress, this is a situation in which there are no alternatives without consequence. As I mentioned previously, continuing the path of reliance on General Funds to supplement existing Highway Trust Fund revenues will add \$135 billion to the deficit over the next 10 years. Similarly, constraining investment to what is currently supportable would require massive investment cuts that will severely impact the construction program of every state, threaten

hundreds of thousands of jobs and undermine the productivity and competitiveness of the American economy.

It is time to finish the job this Committee and your colleagues on the House Transportation & Infrastructure Committee started with the development of MAP-21 by ensuring the Highway Trust Fund's revenue stream can support the investments necessary to make your vision of a reformed federal surface transportation program a reality.

Chairman Boxer, members of the Committee, again thank you for allowing me to appear before you today. I would be pleased to answer any questions at the appropriate time.

