

Summary: “Building a 21st Century Infrastructure for America: Long-Term Funding for Highways and Transit Programs”

House Transportation and Infrastructure Subcommittee on Highways and Transit

March 7, 2018

Participants:

- Mr. John Schroer, Commissioner, Tennessee Department of Transportation; on behalf of the American Association of State Highway and Transportation Officials
- Mr. Michael Lewis, Executive Director, Colorado Department of Transportation; on behalf of the Western Road Use Charge Consortium (RUC West)
- Mr. Chris Spear, President and CEO, American Trucking Associations
- Mr. Ed Mortimer, Executive Director, Transportation and Infrastructure, U.S. Chamber of Commerce
- Ms. Thea Lee, President, Economic Policy Institute

Opening Statements

Subcommittee Chairman Graves (R-MO) called on Congress to invest in infrastructure in order to meet the needs of the nation and to be competitive in the 21st Century. He said the current method of funding is no longer sustainable, noting that construction could be halted as early as 2020 because the Highway Trust Fund (HTF) will no longer be able to meet obligations. He called on Congress to act to fix HTF insolvency but added that continuing to rely on General Fund bailouts is not the answer. He urged HTF reform to ensure those users who benefit from the system also pay for it. The chairman called for a long-term, sustainable solution to provide certainty in building and planning projects.

Subcommittee Ranking Member Norton (D-DC) also called for a long-term funding solution for the HTF. She criticized the Administration for not providing funding solutions but said she was encouraged by the President’s openness to raising the gas tax. She hoped his apparent support would inspire the committees of jurisdiction to act to provide real funding. She said that almost all Members of Congress agree on the importance of infrastructure investment to the national economy and the need for real investment but disagree on the funding mechanism. She said many options, like cheaper ways to borrow, will not produce the real revenues necessary to make investments. She added that a special committee was put together to study the usefulness of public-private partnerships (P3s) and found that they could best be seen as an expensive scheme to borrow private money. Ranking Member Norton added that many projects have no real revenue stream to pay for the P3. She criticized tolling as well, saying it is unpopular and is not the answer to the funding issue. She said Congress must raise real user fees and that states, including some conservative ones, have already acted. She said the Fixing America’s Surface Transportation (FAST) Act also funded an alternative funding demonstration program to study potential sources for funding, such as a mileage based user fee.

Full Committee Chairman Shuster (R-PA) was pleased that President Trump has been so supportive of infrastructure. He said the Administration’s plan has both good and bad proposals and Congress now has an opportunity to improve upon it. He said P3s should be a tool in the tool box and that tolling is not an option in many cases. He encouraged Congress to address the permitting process to reduce the time

it takes to get projects to construction, noting they must build upon successes in both the FAST Act and Moving Ahead for Progress in the 21st Century (MAP-21). He called on Congress to work in a bipartisan manner to develop a broad infrastructure bill but noted that it will take presidential leadership in order to come to a funding decision. He said that the easiest solution could be raising the gas tax, noting that 31 states have done so and have not faced a political price. He said Members of Congress will pay a political price if they do not act, noting that the HTF is scheduled to run out in October 2020 right before the presidential election. He called on Congress to put a bill forward now and noted that they could vote on it during the lame duck session if Members are concerned about this year's elections. He urged everyone to refer to it as a user fee and said that while it is regressive, the gas tax has a progressive benefit to rural areas as many investments are subsidized. He noted there is a federal responsibility to invest in infrastructure.

Full Committee Ranking Member DeFazio (D-OR) noted that Congress has talked about the need for funding but has yet to act, also noting that states have raised their own revenues instead. He added that no one has lost their election after such a move at the state level. He said that without raising the gas tax, there will be no infrastructure bill. He referenced the Committee's year-long select committee that sought to study P3 feasibility and found that P3s can only address around 10 to 12 percent of needs. He said that a vehicle miles traveled (VMT) fee is not yet viable and could possibly take ten years before being put in place while the country needs investment now. He said some have said the either ending NEPA or else making other permitting reforms will fix the issue. However, only four percent of projects take more than three years on average to be approved. He acknowledged that the process could potentially be improved and called on existing improvements to be implemented. He criticized the Administration for not proposing payfors in their plan but said if the President remains supportive of a gas tax increase, he is willing to work with him to ensure something is passed.

Mr. Schroer, Commissioner of the Tennessee Department of Transportation and representing the American Association of State Highway and Transportation Officials (AASHTO), applauded the FAST Act for fulfilling the constitutional directive that infrastructure investment is a federal responsibility. He said 80 percent of investments in infrastructure come from state and local governments and 31 states have already passed their own transportation funding measures so the idea of leveraging even more may not be possible. He said AASHTO believes the best way to fund infrastructure investments is through sustainable formula based funding. He noted that HTF solvency is in jeopardy and that it is currently being sustained through General Fund transfers. He called on Congress to focus on direct funding through formula programs, not grants or financing. While AASHTO is not against these sources, they do not want them to be increased at the expense of the HTF.

Mr. Lewis, Executive Director of Colorado Department of Transportation and on behalf of the Western Road Use Charge Consortium (RUC West), said RUC West has been studying funding mechanisms beyond the gas tax. He said the gas tax is not sustainable due to increasingly fuel efficient cars and alternative fuel vehicles upsetting the reliance on gas. Therefore, a new user fee that is fair and equitable must be developed. RUC West is evaluating a mileage based user fee, where vehicles pay based on the number of miles traveled. He said a number of states have already deployed pilots to address the complexity of developing such a charge. They are working to produce meaningful and replicable results and to develop answers to any concerns about such programs, like how they compare

to the cost of a gas tax. He said this solution will provide long term funding in the future but that there is an immediate funding crisis that must be addressed as well.

Mr. Spear, President and CEO of the American Trucking Associations (ATA) applauded Congress for having this discussion so far in advance of the expiration of the FAST Act. He said that while it may be politically difficult for Members of Congress to act to develop a funding mechanism for infrastructure investment, there will be a much higher cost if nothing is done. He said the trucking industry stands to lose any benefits gained from the tax reform law as costs associated with poor infrastructure are equal to a nine percent tax on the industry. He said ATA's Build America Fund is the most immediate, efficient, and conservative way to address funding needs. The program is a 20 cent fee on the cost of fuel at the rack and would be very inexpensive to administer. This means that 99 cents of every dollar would actually be spent on new projects. It would shore up the HTF by generating \$340 billion in new revenue over 10 years. He said that if Congress does nothing, we will end up paying 15 times more than what we would pay under ATA's proposal. He noted that the federal government has an obligation to establish roads and strengthen interstate commerce and criticized the idea of devolution.

Mr. Mortimer, Executive Director of Transportation and Infrastructure at the U.S. Chamber of Commerce said the national infrastructure network is the backbone of the U.S. economy. However, it is in dire need of modernization. He applauded President Trump's desire to pass an infrastructure investment plan and Congress' willingness to advance it. He was pleased that the release of the Administration's plan has started the process and said this is a once in a generation opportunity for federal leadership to modernize our infrastructure. He said any package should include four principles: 1) increasing the fuel user fee by 25 cents for surface transportation funding; 2) leveraging funding from other sources; 3) streamlining the permitting process; and 4) expanding the workforce through work based learning and immigration reform. He called for the Administration to partner with Congress to find a long-term, sustainable funding source for the HTF and said the Chamber has a simple, straight forward proposal to increase the gas tax by 25 cents. He said in the long term, the federal government can look at other solutions but that for the immediate problem, we need an immediate solution. He noted that private investment will play a critical role and is one tool in the tool box. He called on Congress to codify the one federal decision and two year timeline called for in President Trump's executive order and encouraged the Federal government to incentivize state and local governments to also meet that two year requirement.

Ms. Lee is President of the Economic Policy Institute, a think tank that analyzes how policies will affect working families. She said the Institute supports increased investment in infrastructure because of its benefits to the economy, workers and businesses. She said we must keep the current infrastructure from future deterioration and noted that leaving the HTF underfunded will do great damage. She said the gas tax must be raised or else a new dedicated revenue source should be found to support the HTF. She added that simply maintaining the status quo is inadequate and called for increases above current levels, beyond shoring up the HTF. She said currently, state and local governments are relied on heavily to make investments which has not worked. She said that no matter what, American households will pay for infrastructure investments, and claiming that P3s take away those costs obscures basic economic truth. She added that funding from the Federal government has key advantages that funding from state, local, or private entities do not have, like lower interest rates. She said the idea that state and local governments can make the best investments because they are closest to the projects is wrong, adding

that infrastructure does not stop at state lines and often serves nonresidents. She called for coordination at the federal level for efficient investment.

Question and Answer

Full Committee Chairman Shuster asked about the highest priority projects in Tennessee and how they are being funded. **Mr. Schroer** said they have many high priority projects, including some on the nine interstates that run through the state. He noted that in one instance, there is a section of I-69 in Tennessee that is vital to the national transportation system but that will be too expensive for Tennessee to build. This means there could be a missing link on this roadway, which crosses through many states and therefore would be a great candidate for federal funding.

Subcommittee Ranking Member Norton asked about any problems the VMT pilot programs have experienced, specifically asking about the transition from gas tax to VMT and if the gas tax would still need to be raised. **Mr. Lewis** said there must be a bridge in funding between now and when a VMT program is ready to be implemented. **Ranking Member Norton** asked if a gradual raise in the gas tax over time would work. **Mr. Lewis** said that is one option. **Ranking Member Norton** asked if the costs of transition are being tested. **Mr. Lewis** said that they see the VMT as a replacement to the fuel tax but noted there will need to be a bridge to make sure there is sufficient funding now. Furthermore, they must study the interoperability between states. **Ranking Member Norton** asked when VMT programs would be ready. **Mr. Lewis** said it could still take ten years.

Rep. Barletta (R-PA) said he supports a long-term, sustainable solution to address the HTF shortfall and that with the President's commitment to passing an infrastructure package this year, this could be a good avenue to achieve such a goal. He suggested raising the gas tax as one solution or else the development of another user fee. He said that user fees are a conservative principle but that currently, not all road users are paying in. He asked what actions states have taken to make sure all road users, not just those that use gas, are paying. **Mr. Schroer** said that Tennessee passed a new revenue bill that combined an increase in the gas tax with added fees for electric and alternative fuel vehicles.

Rep. Barletta said there is a concern that a gas tax increase is regressive. He said this argument does not take into account the fact that Americans are already paying dearly for time and fuel wasted while sitting in traffic. He asked which is more important, the outcome of permanently fixing the HTF or the user fee mechanism deployed. **Mr. Schroer** said we need a long-term, sustainable funding solution that is formula based to allow states to prioritize projects. **Mr. Lewis** said we need sustainable and predictable levels of funding. **Mr. Spear** said the most pressing issue is funding and ensuring any solution is long-term, calling for any bill to have a ten year timeline. **Mr. Mortimer** said a long-term, sustainable solution is necessary. **Ms. Lee** said that while the Institute is always concerned with regressive taxes, a user fee is warranted in this case because the benefits are so widespread. She added that the impacts of congestion fall on everyone and that additional funding mechanisms beyond the HTF could be even more progressive.

Full Committee Ranking Member DeFazio called for federal investment in infrastructure, noting that devolution will not work. He expressed concerns about privacy in a VMT program and asked if Colorado used congestion pricing in their program, as people who live in rural areas may drive more miles than

someone who lives in an urban area and is sitting in traffic. **Mr. Lewis** said their pilot did not use congestion pricing. **Ranking Member DeFazio** asked if congestion pricing would help make a VMT program more equitable. **Mr. Lewis** said that could be used. He added that Colorado is conducting a rural VMT study and has found that many people have older, larger trucks in such areas. By using the VMT system instead of a gas tax, they are actually charged less.

Rep. Young (R-AK) said the gas tax is the fairest way to collect funding. He asked how cars that do not rely on gas will contribute to funding. **Mr. Spear** said alternative funding mechanisms like a DMV registration fee could be used. **Rep. Young** said registration fees are not equitable because they do not take into account how far trucks travel or how much they use the roads. He said a mileage based fee would be fairer.

Rep. Young called for additional improvements to the permitting process and encouraged agencies to work together when approving projects.

Rep. Esty (D-CT) called for immediate funding, not financing, and asked how Members of Congress could be held accountable to ensure they act on infrastructure funding. **Mr. Spear** said Congress must vote on these funding solutions on the floor as one way of ensuring accountability. He said that the President getting involved also helps to make sure something will be done. **Mr. Mortimer** said the U.S. Chamber is working with state and local chambers to write to letters saying now is the time to act and encouraging political courage. **Ms. Lee** said the fact that business and labor are both advocating for something to be done will help make sure Congress acts.

Rep. Davis (R-IL) said fixing the HTF should be a priority because continuing to support it through General Fund transfers is not an option. He said that solely raising the gas tax is not the solution and encouraged the diversification of funding for the HTF. He asked for suggestions on other funding sources. **Mr. Spear** said the VMT pilots are not yet ready to be implemented and have many issues, such as privacy and data storage, which need to be addressed. However, needs are immediate and therefore he asked that user fees be increased now. **Rep. Davis** said that we must develop other options right now, not when the deadline is near. He did not support a VMT program but suggested other sources, like registration fees, battery taxes, and freight fees. **Mr. Lewis** said it is fairly easy to map out when the industry will switch from mostly gas to other methods. He suggested Congress and the industry work to develop some sort of transition to ensure we will be ready when the time comes.

Rep. Faso (R-NY) asked about the advantages of an increase at the rack over a traditional gas tax increase. **Mr. Spear** said by charging the fee at the rack, it is baked into the price of fuel and would be included in all fossil fuels. He said there would be assurances that the money will be spent on roads and bridges. He added that because it would be baked in to the cost of gas, most motorists would not notice a change. **Mr. Lewis** said they have found that many Americans do not even know there is a gas tax. **Rep. Faso** asked if such a charge could be levied at electric facilities. **Mr. Spear** said that is something that could be explored.

Rep. Larsen (D-WA) said that if the charge is placed on fuel at the rack, how could they guarantee that petrol will be used for vehicles and not other uses, as not all propane is used for transportation. **Mr. Spear** said perhaps through the transportation logistics process.

Rep. Larsen asked if the possibility of adding a fee on electricity when a vehicle plugs in has been explored. **Mr. Lewis** said California is undertaking such a pilot.

Rep. Larsen said the idea of a VMT had been around for awhile but is still not implemented. He asked if there is a way to act on this faster. **Mr. Lewis** said when compared to the fact that the gas tax has not been raised in 25 years, 10 years in the future does not seem as long a time to wait.

Rep. Perry (R-PA) expressed concern with the insolvency of the HTF but said the gas tax is regressive for low income citizens and he would be remiss to take away any benefits people gained from the tax reform law. He called for a new revenue source and asked the U.S. Chamber how much their 25 cent proposal would cost the average consumer. **Mr. Mortimer** said it would cost around \$9 a month or \$108 a year but the average consumer is losing much more than that currently in costs associated with poor infrastructure and congestion. **Rep. Perry** said he calculated it would cost \$285 per year per person.

Rep. Lowenthal (D-CA) said there is bipartisan commitment to fixing the HTF. Beyond that, he has proposed a freight user fee that would deposit funds into a freight trust fund. He asked if the panelist would support such a program. **Mr. Schroer and Mr. Lewis** said freight investments are critical. **Rep. Lowenthal** said ATA has expressed concerns with such a fee but noted that they could be addressed by working with stakeholders. **Mr. Spear** said they would be willing to work with him. However, he said that the HTF could be sustainable and that existing provisions included in the FAST Act, such as freight plans, could help without the need for a freight fee.

Rep. Smucker (R-PA) said Congress will need both presidential leadership as well as strong public support to pass an increase. He asked what groups are doing to build public support. **Mr. Spear** said they have a coalition to help shape the narrative. They are emphasizing the cost of doing nothing and making it clear that any money collected will be used to invest in roads and bridges.

Rep. Napolitano (D-CA) expressed concern that under the President's plan, states and localities that have already raised their own revenues will be penalized. **Mr. Schroer** said states must be given credit for acting to raise their own funds.

Rep. LaMalfa (R-CA) said one way to address funding could be to decrease the cost of building by shortening the permitting time. He asked how to ensure electric cars pay their fair share. **Mr. Schroer** said all road users should have to pay and said that something like a VMT will need to be studied.

Rep. LaMalfa asked how a VMT program would address out of state motorists using the road. **Mr. Lewis** said an integrated, national system would need to be developed. **Mr. LaMalfa** said there is also a concern with privacy. **Mr. Lewis** said that many pilot participants found their concerns to be alleviated.

Rep. Lawrence (D-MI) asked if the gas tax should be eliminated if a VMT is implemented. **Mr. Lewis** suggested the development of a transition plan so a system will already be in place once the fuel tax is no longer viable.



Rep. Lawrence said that tolls are regressive and asked about their impacts. **Mr. Spear** said tolling is only profitable in areas that have a lot of traffic and are therefore only applicable on one percent of roads.

Rep. Lawrence asked what Congress should address first. **Mr. Schroer** said the HTF shortfall. **Mr. Lewis** said a funding increase and a transition plan to eventually move to a gas tax alternative.