



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

Testimony Presented to the Committee on Environment and Public Works
United States Senate
February 12, 2014

Dr. T. Peter Ruane, President and CEO
American Road and Transportation Builders Association

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 and largest 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.

The purpose of today’s hearing reflects a primary mission of the federal government in the transportation area—promoting economic competitiveness. Unfortunately, the dialogue surrounding federal surface transportation policy too often gets caught in the weeds of process and pet priorities and, as a result, the American public loses sight of the outcome that is being sought.

Over the past year, ARTBA’s economics team has been doing research to help us bring the transportation investment story down to the “kitchen table level” ... so that we can talk about it in ways that are relevant to daily life.

An analysis of data from the U.S. Census Bureau, the Center for Disease Control, U.S. Department of Energy and the Federal Highway Administration tells the story well.

The data, as depicted in Figure 1, show the average American household spends \$123 a month for television and internet service... \$159 a month for electricity and natural gas... and \$161 a month for cell and landline phone service.

We would all agree these are worthwhile expenditures.

The average American household invests just \$46.33 a month in the federal and state motor fuels excises that are used to build and maintain the roads, bridges and public transit infrastructure that provide the mobility access that is critical to virtually every aspect of our daily life, our security, and the U.S. economy.

The fact is, if Americans were asked just to invest as much every month in our surface transportation infrastructure as they willingly pay for phone service, we would not be here talking about how to “fix the Highway Trust Fund,” we would be here applauding Congress for providing them a first-class, modern transportation network that would be the envy of our international competitors!

Figure 1: Average Monthly U.S. Household Expenditures



Source: ARTBA analysis of data from the U.S. Census Bureau, The Center for Disease Control, the U.S. Department of Energy and the Federal Highway Administration.

Quantifying Federal Investment Impact on Competitiveness

While the value of transportation infrastructure to the daily lives of Americans and the nation’s economy is irrefutable, the contribution of federal investment in highways and public transportation is less widely appreciated.

I had the pleasure of appearing before this panel last September. During that testimony, I presented a map that quantified the contribution of the federal aid highway program to state highway and bridge capital outlays, reproduced here as Figure 2. Since that time, the map has been used by a number of groups to illuminate the importance of federal investment to each state. Today, I would like to take this analysis one step further and demonstrate what that 52 percent means in terms of actual improvements supported by federal investments on a state-by-state basis. We have extrapolated additional data from the Fiscal Management Information System (FMIS) to show, in Figure 3, the number and type of projects each state advanced in 2012 as part of its federal aid program. 2012 is the most recent available data and, since all American Recovery and Reinvestment Act highway funds had been committed by this point, this data reflects simply the impact of the core federal highway program.

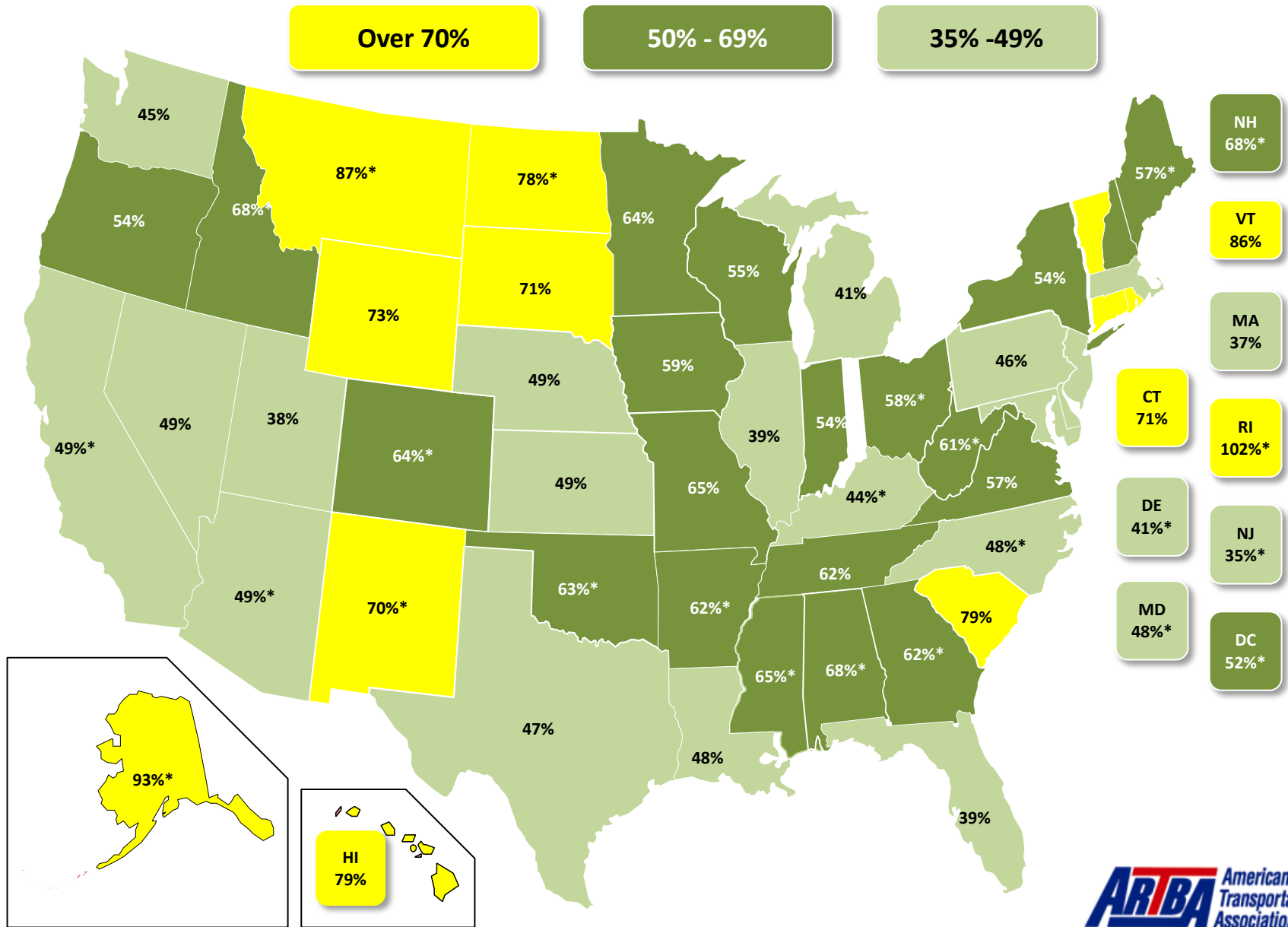
Tables 1 and 2 have more detail about the type of highway and bridge projects that are included in that total. Table 1 includes the number of projects approved by the Federal Highway Administration (FHWA) division offices in 2012 that are related to road, bridge and safety improvements. When they submit this information to FHWA through the FMIS data system, states categorize project costs into different spending categories. This includes information on new road or bridge construction, as well as projects that are focused on repairs, safety, restoration and rehabilitation.

Table 2 details the amount of spending for federal aid projects advanced in 2012 for the road, bridge and safety projects in Table 1. The total amounts do not include other project costs, such as engineering, planning or right of way purchases.

The information in these tables provides an excellent foundation to discuss how states are using their federal aid dollars to focus on maintaining our core network of highways and bridges— the national transportation system that makes our economy work.

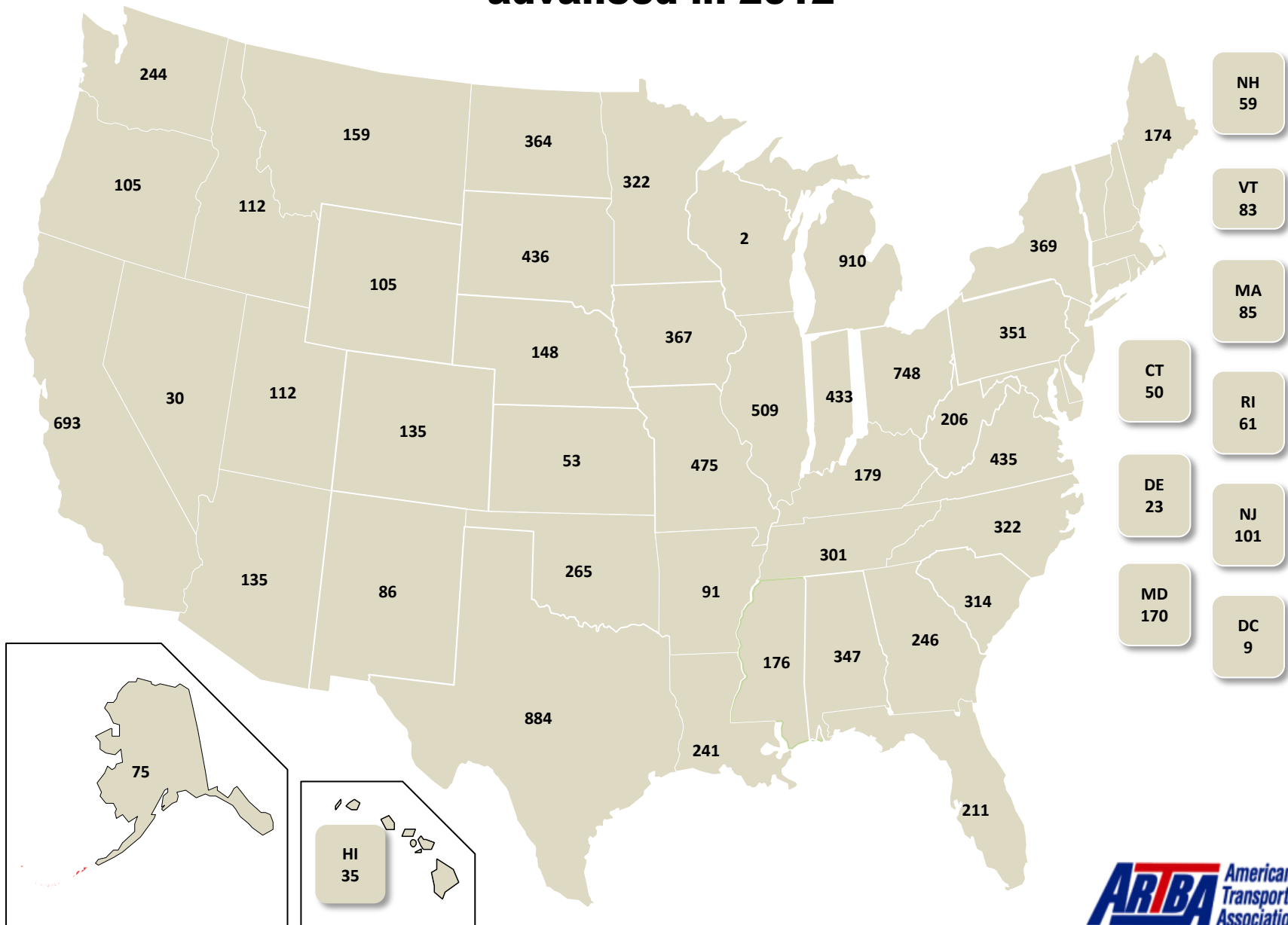
In 2012, the FHWA approved 12,546 projects that include construction spending for road, bridge and safety improvements. As this Committee knows, state departments of transportation establish their own spending priorities. They have the option to invest their federal dollars in any project that qualifies for the federal aid program. We have found that nearly one-third of the total investment for federal aid projects in 2012 will be for construction work that will repair and improve our Interstate Highway System. An additional 29 percent of investments will go towards improvement projects on the National Highway System.

Figure 2 - Federal funds, on average, provide 52% of annual state DOT capital outlays for highway & bridge projects



Source: ARTBA analysis of "FHWA Highway Statistics" data, total 10-year average 2001-2011 from Tables SF-1 and SF-2. The percent is the ratio of federal-aid reimbursements to the state and total state capital outlays and is indicative of the importance of the federal-aid program to state capital spending for highways and bridges. Does not include local capital spending. Federal highway reimbursements are primarily used for capital outlays, including construction, right-of-way acquisition and engineering, but are also used for debt service for GARVEE bonds.
 * States that have issued GARVEE bonds before 2011.

Figure 3 – Number of federal aid construction projects advanced in 2012



Source: ARTBA analysis of FHWA's Federal Management Information System. Totals include projects that received FHWA division approval in 2012 and include planned spending for construction-related work for highways or bridges. It is important to note that some state totals may seem low – this may be in part due to the use of advanced construction funds. In that case federal funds from 2012 could have been put towards projects that were actually approved in prior years, and that would not be included on this map.

These state decisions indicated the value maintaining a national network of roads and bridges contributes to strengthening state economies and facilitating the movement of goods, and people. More than 550 projects, valued at over \$6 billion, of all 2012 federal aid projects will deliver mobility benefits in both the originating state and neighboring states. This segment of the 2012 federal-aid projects reinforces how federal highway and bridge investments promote the interconnectedness of the nation's economy.

The highways and bridges on the U.S. Interstate and National Highway Systems are crucial to the nation's economic competitiveness – over 55 percent of all vehicle travel in the United States is on these roadways, which comprise just over five percent of the 4.1 million miles of roads in the country.¹ The federal aid program allows states to invest in the national network that tie our country together.

These highways and bridges also connect American businesses with export markets. American businesses exported nearly \$1.6 trillion in goods in 2013, according to the U.S. Census Bureau. This includes consumer items, machinery, capital goods, automotive parts and industrial supplies and materials. The U.S. highway system not only facilitates direct trade with our neighbors, but it is the means by which products reach ports, railroad hubs and airports that also transport these items to international markets.

In fact, 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 roads supported by federal investment.² 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.

Most federal aid highway investments focus on maintaining the system we have—of the 3,543 projects approved in 2012 for investment on the National Highway System, just over 400 (11 percent) were for adding or building some sort of new road or bridge capacity. This includes projects that would widen an existing highway or construct an entirely new road or bridge. The remaining 3,138 projects will help repair, restore, rehabilitate or enhance safety on the existing National Highway System without facilitating increased traffic.

As you would expect, there is a wide variety in the number and value of federal-aid construction projects in each state. To highlight a few examples, there were 693 new federal aid projects, valued at nearly \$4 billion, in California in 2012 that will support the state economy and improve public safety by upgrading major highways and bridges. Of those projects approved in California, nearly 65 percent will occur on the Interstate and National

¹ FHWA Highway Statistics 2012, Table VM-3

² ARTBA, The 2012 U.S. Transportation Construction Industry Profile

Highway systems. California is using federal investment to support major projects, including phase two of the Presidio Parkway in San Francisco. Federal funding from 2012 will also be put towards improvements to the I-15 and I-215 Devore Interchange in San Bernardino, considered one of the worst grade-related bottlenecks in the United States. According to Caltrans, the delay at this interchange costs California drivers \$3.8 million each year. Without improvements, the annual cost of delay is expected to increase to more than \$80 million in 2040.

There were 241 new federal aid projects, valued at nearly \$750 million, approved in Louisiana in 2012. Over 65 percent of these projects will repair, reconstruct and maintain major roads in the state. Federal investments in 2012 will also support new construction in the state, such as the new I-49 North Interstate project. This is a brand new 36-mile, four-lane interstate from I-220 in Shreveport to the Arkansas state line.

These are real projects that will have a significant impact on the daily lives of your constituents and the businesses in your state. Federal funding makes this investment possible.

The information I have used today was provided to ARTBA from the FHWA under the freedom of information act (FOIA). As a result, we are able to receive data from the FMIS, which has detailed records for over 960,000 federal aid projects going back to 1946.

Unfortunately, the information we receive from these periodic requests then requires the manipulation of millions of pieces of data to extract a meaningful interpretation of how federal funds are used by each state.

Madame Chairman, the federal highway and public transportation programs are a great success story. Telling this story should not require FOIA requests and a full-time staff person with a doctorate in economics. In fact, the U.S. Department of Transportation (DOT) recognized the value of publicizing in a user friendly format the status and outcome of all American Recovery and Reinvestment Act surface transportation investments. There is no substantive reason why the same type of transparency should not exist for core federal highway and public transportation investments. I submit to you that if this type of information were regularly supplied, the American public would likely have much more confidence in the value they are receiving from their contributions to supporting the U.S. surface transportation infrastructure network!

Table 1 - Number of highway and bridge improvements that include federal aid funds for projects approved in 2012

| State | Road Improvements | | Bridge Improvements | | Additional Safety Improvements (not included in other construction improvements) | Total |
|----------------------|---------------------|--|---------------------|---|--|-------|
| | Additional Capacity | Reconstruction, Repair and Maintenance | Additional Capacity | Replacement, restoration & rehabilitation | | |
| Alabama | 11 | 234 | 3 | 12 | 87 | 347 |
| Alaska | 2 | 54 | 0 | 4 | 15 | 75 |
| Arizona | 6 | 84 | 3 | 5 | 37 | 135 |
| Arkansas | 23 | 21 | 4 | 12 | 31 | 91 |
| California | 74 | 346 | 11 | 57 | 205 | 693 |
| Colorado | 11 | 44 | 7 | 33 | 40 | 135 |
| Connecticut | 5 | 21 | 0 | 8 | 16 | 50 |
| Delaware | 0 | 9 | 0 | 10 | 4 | 23 |
| District of Columbia | 0 | 6 | 0 | 0 | 3 | 9 |
| Florida | 29 | 108 | 6 | 19 | 49 | 211 |
| Georgia | 22 | 133 | 3 | 26 | 62 | 246 |
| Hawaii | 3 | 23 | 0 | 5 | 4 | 35 |
| Idaho | 5 | 43 | 9 | 35 | 20 | 112 |
| Illinois | 30 | 242 | 5 | 113 | 119 | 509 |
| Indiana | 56 | 146 | 77 | 62 | 92 | 433 |
| Iowa | 7 | 213 | 9 | 105 | 33 | 367 |
| Kansas | 4 | 16 | 2 | 23 | 8 | 53 |
| Kentucky | 14 | 62 | 2 | 30 | 71 | 179 |
| Louisiana | 8 | 164 | 0 | 53 | 16 | 241 |
| Maine | 1 | 102 | 0 | 25 | 46 | 174 |
| Maryland | 6 | 82 | 1 | 21 | 60 | 170 |
| Massachusetts | 4 | 46 | 1 | 19 | 15 | 85 |
| Michigan | 11 | 563 | 14 | 89 | 233 | 910 |
| Minnesota | 7 | 225 | 2 | 26 | 62 | 322 |
| Mississippi | 10 | 101 | 2 | 29 | 34 | 176 |
| Missouri | 28 | 325 | 4 | 109 | 9 | 475 |
| Montana | 0 | 101 | 0 | 10 | 48 | 159 |
| Nebraska | 6 | 106 | 0 | 16 | 20 | 148 |
| Nevada | 6 | 5 | 0 | 2 | 17 | 30 |
| New Hampshire | 6 | 31 | 1 | 8 | 13 | 59 |
| New Jersey | 8 | 53 | 5 | 24 | 11 | 101 |
| New Mexico | 12 | 50 | 1 | 11 | 12 | 86 |
| New York | 4 | 125 | 4 | 88 | 148 | 369 |
| North Carolina | 21 | 38 | 4 | 190 | 69 | 322 |
| North Dakota | 3 | 335 | 0 | 16 | 10 | 364 |

| | | | | | | |
|----------------|------------|--------------|------------|--------------|--------------|---------------|
| Ohio | 13 | 382 | 3 | 174 | 176 | 748 |
| Oklahoma | 30 | 66 | 2 | 91 | 76 | 265 |
| Oregon | 2 | 58 | 2 | 25 | 18 | 105 |
| Pennsylvania | 23 | 134 | 9 | 142 | 43 | 351 |
| Rhode Island | 0 | 26 | 2 | 16 | 17 | 61 |
| South Carolina | 12 | 234 | 0 | 12 | 56 | 314 |
| South Dakota | 6 | 312 | 2 | 59 | 57 | 436 |
| Tennessee | 17 | 166 | 0 | 22 | 96 | 301 |
| Texas | 69 | 453 | 46 | 148 | 168 | 884 |
| Utah | 8 | 82 | 2 | 6 | 14 | 112 |
| Vermont | 1 | 42 | 0 | 25 | 15 | 83 |
| Virginia | 16 | 163 | 4 | 51 | 201 | 435 |
| Washington | 28 | 86 | 3 | 32 | 95 | 244 |
| West Virginia | 10 | 142 | 2 | 37 | 15 | 206 |
| Wisconsin | 0 | 1 | 0 | 1 | 0 | 2 |
| Wyoming | 5 | 48 | 3 | 11 | 38 | 105 |
| Total | 683 | 6,652 | 260 | 2,147 | 2,804 | 12,546 |

Source: ARTBA analysis of FHWA data, Fiscal Management Information System. Includes number of projects that are categorized by improvement type for major construction work. Projects are assigned by State DOTs. Includes all federal aid projects that received FHWA division approval in 2012. Note that for some states totals may appear to be low, in part because of the use of advanced construction funding. In this case federal dollars are put towards projects that were approved in previous years.



Table 2 - Value of highway and bridge improvements that include federal aid funds for projects approved in 2012

(in millions \$)

| State | Road Improvements | | Bridge Improvements | | Safety Improvements | Total |
|----------------------|---------------------|--|---------------------|---|---------------------|-----------|
| | Additional Capacity | Reconstruction, Repair and Maintenance | Additional Capacity | Replacement, restoration & rehabilitation | | |
| Alabama | \$88.2 | \$633.4 | \$23.9 | \$45.7 | \$17.3 | \$808.5 |
| Alaska | \$10.5 | \$251.6 | \$0.0 | \$11.1 | \$19.9 | \$293.1 |
| Arizona | \$68.5 | \$225.1 | \$24.4 | \$21.8 | \$9.5 | \$349.2 |
| Arkansas | \$244.9 | \$172.2 | \$84.3 | \$61.1 | \$26.2 | \$588.9 |
| California | \$1,866.0 | \$1,239.7 | \$505.7 | \$176.5 | \$206.4 | \$3,994.4 |
| Colorado | \$269.9 | \$263.7 | \$90.7 | \$133.2 | \$88.4 | \$845.9 |
| Connecticut | \$47.2 | \$137.5 | \$0.0 | \$52.2 | \$17.7 | \$254.5 |
| Delaware | \$0.0 | \$41.9 | \$0.0 | \$13.9 | \$3.8 | \$59.6 |
| District of Columbia | \$0.0 | \$29.3 | \$0.0 | \$0.0 | \$10.9 | \$40.2 |
| Florida | \$925.2 | \$352.9 | \$272.1 | \$182.4 | \$63.5 | \$1,796.1 |
| Georgia | \$351.9 | \$444.2 | \$11.7 | \$59.1 | \$96.9 | \$963.8 |
| Hawaii | \$46.7 | \$102.8 | \$0.0 | \$59.3 | \$15.3 | \$224.1 |
| Idaho | \$10.5 | \$89.4 | \$45.0 | \$45.5 | \$12.8 | \$203.2 |
| Illinois | \$353.8 | \$546.0 | \$101.3 | \$96.2 | \$65.1 | \$1,162.3 |
| Indiana | \$551.0 | \$216.8 | \$1,063.1 | \$73.8 | \$37.9 | \$1,942.6 |
| Iowa | \$66.8 | \$479.3 | \$47.6 | \$77.9 | \$36.6 | \$708.3 |
| Kansas | \$43.7 | \$38.8 | \$23.3 | \$15.0 | \$10.9 | \$131.6 |
| Kentucky | \$318.4 | \$159.5 | \$24.2 | \$34.8 | \$22.4 | \$559.4 |
| Louisiana | \$91.7 | \$485.7 | \$0.0 | \$148.5 | \$20.3 | \$746.2 |
| Maine | \$0.9 | \$90.7 | \$0.0 | \$41.9 | \$18.5 | \$152.0 |
| Maryland | \$13.5 | \$227.9 | \$5.4 | \$97.6 | \$97.7 | \$442.2 |
| Massachusetts | \$9.7 | \$265.6 | \$330.9 | \$976.3 | \$18.7 | \$1,601.1 |
| Michigan | \$86.2 | \$675.1 | \$36.4 | \$152.9 | \$89.4 | \$1,040.0 |
| Minnesota | \$117.6 | \$627.6 | \$68.6 | \$176.1 | \$23.3 | \$1,013.2 |
| Mississippi | \$218.6 | \$243.4 | \$17.3 | \$112.3 | \$33.3 | \$624.9 |
| Missouri | \$282.9 | \$393.0 | \$17.5 | \$81.3 | \$1.6 | \$776.4 |
| Montana | \$0.0 | \$237.4 | \$2.2 | \$21.1 | \$29.4 | \$290.0 |
| Nebraska | \$46.9 | \$283.8 | \$0.0 | \$41.6 | \$14.8 | \$387.0 |
| Nevada | \$79.7 | \$59.4 | \$10.1 | \$15.8 | \$5.3 | \$170.2 |
| New Hampshire | \$100.0 | \$70.6 | \$0.0 | \$22.2 | \$9.1 | \$201.9 |
| New Jersey | \$19.9 | \$404.6 | \$108.5 | \$97.0 | \$9.4 | \$639.3 |
| New Mexico | \$96.1 | \$203.4 | \$4.6 | \$18.5 | \$7.5 | \$330.2 |
| New York | \$50.6 | \$571.3 | \$318.6 | \$396.2 | \$191.1 | \$1,527.9 |
| North Carolina | \$702.5 | \$124.8 | \$6.6 | \$251.0 | \$34.7 | \$1,119.7 |

| | | | | | | |
|----------------|-------------------|-------------------|------------------|------------------|------------------|-------------------|
| North Dakota | \$28.7 | \$494.5 | \$0.0 | \$18.6 | \$3.9 | \$545.8 |
| Ohio | \$85.8 | \$931.8 | \$14.4 | \$372.3 | \$131.1 | \$1,535.4 |
| Oklahoma | \$207.4 | \$104.4 | \$36.8 | \$140.2 | \$19.1 | \$507.8 |
| Oregon | \$12.2 | \$145.2 | \$2.9 | \$295.9 | \$11.3 | \$467.5 |
| Pennsylvania | \$242.7 | \$392.0 | \$125.2 | \$319.1 | \$38.5 | \$1,117.6 |
| Rhode Island | \$0.0 | \$41.9 | \$13.7 | \$117.6 | \$36.1 | \$209.4 |
| South Carolina | \$139.8 | \$364.6 | \$6.4 | \$121.0 | \$38.8 | \$670.6 |
| South Dakota | \$47.7 | \$359.5 | \$6.2 | \$23.5 | \$3.6 | \$440.5 |
| Tennessee | \$353.2 | \$195.7 | \$0.0 | \$72.6 | \$23.1 | \$644.5 |
| Texas | \$2,330.7 | \$1,630.8 | \$401.5 | \$208.6 | \$231.3 | \$4,802.9 |
| Utah | \$41.0 | \$209.6 | \$10.4 | \$5.0 | \$7.5 | \$273.6 |
| Vermont | \$18.5 | \$80.7 | \$0.0 | \$145.5 | \$2.5 | \$247.2 |
| Virginia | \$1,512.7 | \$287.7 | \$99.8 | \$79.6 | \$618.5 | \$2,598.3 |
| Washington | \$211.5 | \$132.0 | \$63.6 | \$92.4 | \$98.1 | \$597.5 |
| West Virginia | \$129.4 | \$136.3 | \$18.9 | \$100.0 | \$7.7 | \$392.3 |
| Wisconsin | \$0.0 | \$3.3 | \$0.0 | \$0.5 | \$0.0 | \$3.9 |
| Wyoming | \$8.5 | \$166.2 | \$15.4 | \$12.0 | \$30.6 | \$232.7 |
| Total | \$12,549.9 | \$16,064.6 | \$4,059.3 | \$5,934.1 | \$2,667.7 | \$41,275.6 |

Source: ARTBA analysis of FHWA data, Fiscal Management Information System. Includes total value of project funds for specific improvement types, from federal, state, local and other sources. Note that the total project cost, including right of way, engineering and other eligible expenses, may be higher. Project categories are assigned by State DOTs. Includes all federal aid projects that received FHWA division approval in 2012. Additional federal aid funds were approved for projects in other non-construction categories, such as debt service, right of way, engineering and planning.



Highway Trust Fund Challenges Continue

Any discussion about the importance of federal surface transportation investment to enhancing U.S. economic competitiveness and supporting American jobs must also include an honest assessment of the Highway Trust Fund. The simple fact is that the trust fund has faced four separate revenue crises since 2008 with the fifth—and most devastating—shortfall looming in a matter of months.

Last week, the Congressional Budget Office (CBO) released its baseline forecast for the U.S. Government Budget through FY 2024, including the outlook for both the Highway Account and Mass Transit Account of the Highway Trust Fund. The new forecast compounds the problems Congress will face in reauthorizing the federal highway and mass transit programs when the Moving Ahead for Progress in the 21st Century Act (MAP-21) expires at the end of September and will force some difficult decisions.

Let me begin with the new forecast for the Highway Trust Fund. Unlike CBO's previous May 2013 forecast, which indicated the Highway Account would have a cash reserve sufficient to pay all anticipated bills this year and end FY 2014 with a \$4 billion balance, thus postponing the need for new revenues until sometime in the first or second quarter of FY 2015, the new forecast now anticipates the FY 2014 end-of-year balance will only be \$1 billion. Less cash was carried into FY 2014 from FY 2013 than originally anticipated and outlays have been a bit higher, which has eaten into the cash balance more rapidly than CBO projected last year.

The U.S. DOT has calculated that a \$4 billion cash reserve is needed in the Highway Account to manage the cash flow imbalance caused by the fact that the Federal Highway Administration is required to pay its bills on a daily basis while revenues are credited to the Highway Trust Fund only twice each month. We urge this Committee to explore reconciling these timing conflicts as part of the reauthorization of MAP-21. Without a \$3 billion cash infusion, FHWA and CBO are currently projecting there will come a time in August or September of this year when the FHWA will have to delay reimbursing states for construction work performed on federal-aid highway and bridge projects. Based on its own data, the Federal Highway Administration says the same thing, that it will be unable to pay all bills sometime in September and possibly as early as August.

In states without an adequate cash reserve of their own, the impact will cascade down to contractors, where the disruption in cash flow will affect their ability to make payroll and pay invoices for materials and services. If Congress does not deal with this issue before that happens, some contractors could be forced to shut down projects and lay off their employees, just before the mid-term election.

To compound the real-world economic impact, a failure by the federal government to pay bills in a timely manner would technically constitute a default. While the financial markets probably would not view a delay in paying highway contractors the same as failure to pay interest on the federal debt, the fact that Congress and the Administration would permit such a result in any part of the government budget would surely generate serious concern.

As to the Mass Transit Account, the new CBO forecast continues to project a \$2 billion balance at the end of FY 2014. According to the U.S. DOT, a \$1 to \$2 billion balance is needed in the Mass Transit Account to manage cash flow, so no new revenues would be needed for that account until after FY 2014.

Looking beyond FY 2014, the new CBO forecast continues to show a significant imbalance between baseline revenues and expenditures for both the Highway Account and the Mass Transit Account. Just to maintain current federal highway and mass transit investment between FY 2015 and FY 2020, with a small annual adjustment for inflation, would require a revenue infusion of just under \$100 billion over the six-year period, or an annual average of about \$16.3 billion per year.

And that is just to maintain current spending, which the U.S. DOT's latest *Conditions and Performance Report* indicates is about \$25 billion less than the federal government should be investing each year just to maintain current physical and performance conditions on the nation's core highway and mass transit systems and about \$50 billion less than could be invested in all improvements where the economic benefits exceed costs.

Ryan-Murray Budget Agreement A Harbinger for HTF?

It is important to put into context the \$16.3 billion annual revenue infusion needed just to maintain current highway and transit investment.

Last December, Congress enacted the landmark Bipartisan Budget Act, which sought to reduce projected federal budget deficits in a better way than through the across-the-board sequestration put into place by the Budget Control Act of 2011. The bill restored \$63 billion in discretionary budget authority for FY 2014 and FY 2015, split evenly between Defense and Non-Defense Discretionary spending. This included \$22.4 billion for Non-Defense Discretionary spending in FY 2014 and \$9.2 billion in FY 2015, or an average of about \$16 billion each year. Congress offset these increases with cuts in other spending or new revenues, including eliminating the annual cost of living adjustment for military retirees under the age of 62, increasing the fee airline passengers pay every time they fly to finance the Transportation Security Administration, and increasing the fee companies pay the Pension Benefit Guaranty Corporation to insure pension benefits, plus more than 20 other spending cuts or fee increases.

Many of the offsets were painful and not popular, evidenced by the fact that well over half the dollar impact of the offsets is bunched into FY 2022 and 2023, at the far end of the budget window.

Figure 4 compares the increase in Non-Defense Discretionary spending enacted each year in the Bipartisan Budget Act to the amount of HTF revenues Congress must generate to enact a six-year surface transportation bill that just maintains current federal highway and mass transit investment. To fill the resource gap in the Highway Trust Fund from the rest of the budget, Congress each year would have to find offsetting cuts in other discretionary accounts, or cuts to entitlements, or increases in fees and other revenues greater than the average annual offsets in the Bipartisan Budget Act, totaling almost \$100 billion.

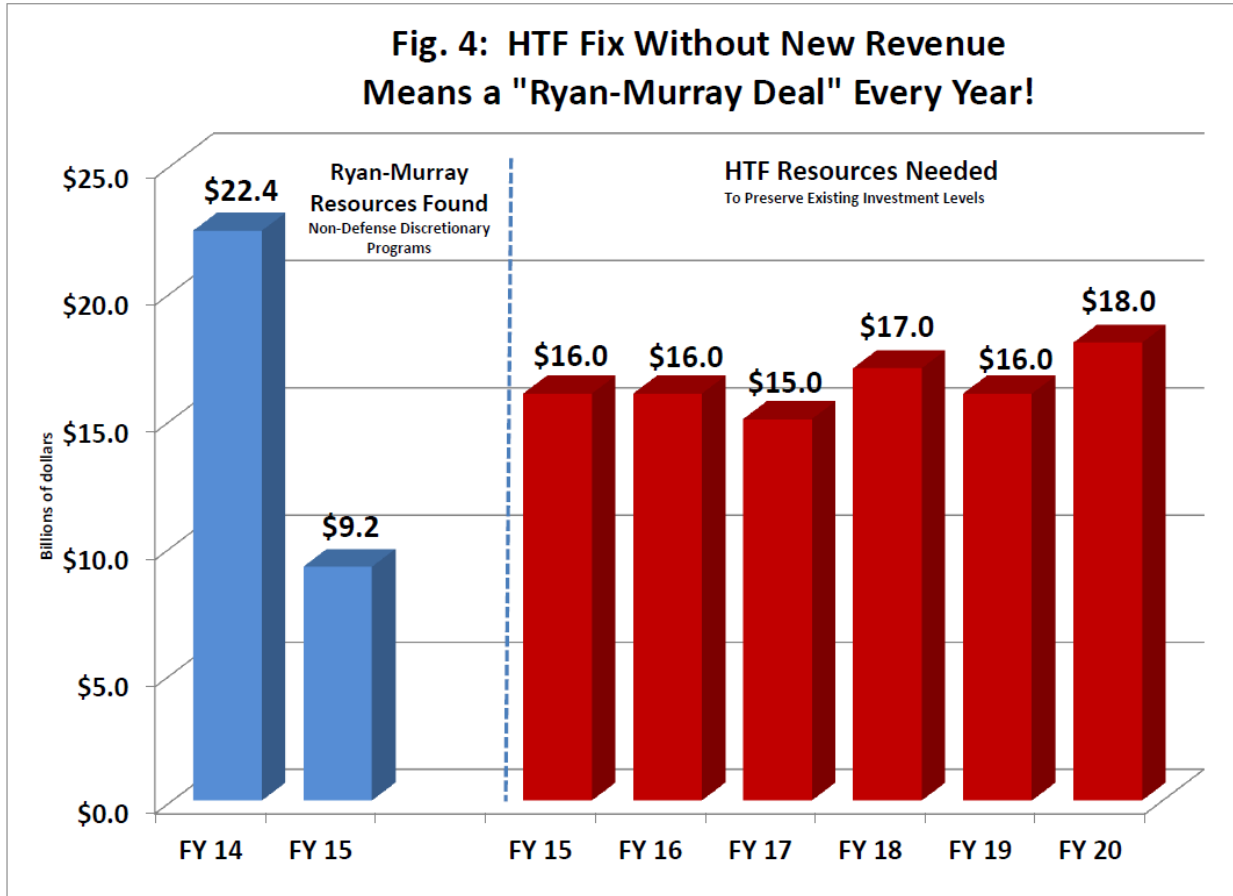
Even a short-term extension will require new revenues. Based on the seasonal pattern of outlays from the Highway Trust Fund, a three-month extension through December 2014 will require \$3 billion while a six-month extension through March, 2015, will require \$5 billion, in addition to the \$3 billion needed to close out FY 2014. A one-year extension through the end of September 2015 will require a revenue infusion totaling \$19 billion.

ARTBA has been engaged in discussions with members of Congress since the enactment of MAP-21 about the unfinished business of the Highway Trust Fund. As such, we are keenly aware of the difficulty in raising new revenues. At the same time, we have yet to hear one member of the House or Senate endorse cutting highway investment by \$40.3 billion in FY 2015 and eliminating all trust fund-supported transit investment.

Putting the Highway Trust Fund's revenue shortfall in the context of the complications surrounding the Bipartisan Budget Act demonstrates how difficult stabilizing the trust fund would be without generating new revenues—a point that is repeatedly overlooked in discussions about the future of federal highway and transit investment. While this is strictly an illustrative comparison, the similarities in terms of resources that would have to be found elsewhere is striking, particularly considering the Bipartisan Budget Act supported an average increase of \$16 billion per year in additional spending for all non-defense discretionary spending programs while the Highway Trust Fund needs an annual average of \$16.3 billion for basically two activities (highway and transit investment).

Time to Act is Now

Madame Chairman, members of the Committee, there are no illusions about how difficult it is to get major legislation through Congress in the current environment. At the same time, federal infrastructure investment is one of the few areas where both sides have repeatedly demonstrated a willingness to find common ground. MAP-21 passed the House 373-52 and the



Senate by 74-19. Measures to reauthorize the Water Resource Development Act were approved in each chamber by even greater margins.

At the same time, there is a broad array of stakeholders that are willing and eager to support meaningful action to upgrade the nation’s surface transportation infrastructure network. In addition to the interests appearing before you today, groups like the U.S. Travel Association and the National Retail Federation have recently engaged in the transportation policy arena in an unprecedented fashion. These groups did not just flip a coin and decide to launch efforts to call for transportation infrastructure improvements—the inefficiencies in the current system are forcing sectors across the economy to become involved as a matter of self-preservation and remaining internationally competitive.

The Highway Trust Fund is not an auto pilot situation that can be addressed when the time is right. In a matter of months, without congressional action federal reimbursements will halt and the FY 2015 appropriations process will not have the resources to allow any new investment in highway and public transportation improvements.

ARTBA has long supported increasing the federal motor fuels tax as a means to stabilize and grow Highway Trust Fund revenues, but there is a host of ways to achieve the same goal. Congress created two separate independent commissions as part of the 2005 surface transportation reauthorization bill and these commissions furnished you with a multitude of alternatives to support future federal highway and transit improvements. MAP-21 called for the creation of long-term strategic planning and performance management process. That process will be fundamentally flawed unless a long-term revenue solution is established for the Highway Trust Fund, as plans are meaningless without the resources to implement them.

There is no need for further studies or time to develop a trust fund solution. The Highway Trust Fund has been facing the same problem with virtually the same alternatives for action for more than five years. One thing has been proven certain in those five years—more time has not made any of the choices before you easier.

No matter how difficult some may perceive the current Highway Trust Fund dilemma to be, it pales in comparison to the incredible value the U.S. surface transportation network provides all Americans and the nation's economy. We urge you to focus on this value as you embark on the reauthorization of MAP-21 and potential solutions to the Highway Trust Fund's revenue shortfall and stand ready to assist your efforts in this regard.

Thank you for allowing me to appear before you today.