According to the American Society of Civil Engineers’ 2017 Report Card, the United States has a $2 trillion investment gap for infrastructure over the next ten years. Combined with an estimated yearly deficit of more than $500 billion over the next several years, the Federal Government has strained resources to address this shortfall.

Additionally, the Transportation Research Board (TRB) released a report in December highlighting the current spending levels on the Interstate Highway System is not enough to address the maintenance backlog or address growing user demand. To address this, the report calls for an increased federal investment of $45 to $70 billion annually over the next 20 years.

The Highway Trust Fund (HTF), which funds the vast majority of construction and improvements made to our national highway system, faces a $161 billion shortfall over the next decade, at current spending levels. In order to address this gap, both financing solutions and a comprehensive modernization of HTF funding mechanisms are needed to maintain current highway and transit funding levels.

Modernizing transportation user fees - The HTF is funded through fixed-rate, per gallon, federal excises on the sale of gasoline and diesel, a federal sales tax on heavy trucks, trailers and tires, and an annual heavy truck usage fee. The fuel taxes total 90 percent of the amount paid. These gasoline and diesel taxes have been static at 18.4 cents and 24.4 cents per gallon, respectively, since 1993.

It is important to fully address the existing funding shortfall merely to maintain current investment levels. Congress should significantly expand funding for future federal surface transportation program investments to meet identified capital needs. While Congress faces numerous options to fix the HTF, all opportunities should be considered for solvency.

Preferred Options for Fixing the HTF include:

- **Fuel Tax Increase**: Raise and index the federal gasoline and diesel fuel tax base-rates to keep pace with annual price inflation.

- **Freight Charge**: Initiate a new federal excise on the cost of shipping freight by heavy trucks, similar to the federal air cargo tax and dedicate the revenue to the modernization of the National Highway Freight Network.
INFRASTRUCTURE INVESTMENT

- **Vehicle Miles Traveled Tax (VMT):** Charge users based on the amount they drive. Administer electronically or through some other process. One proposal uses a “virtual” VMT that sets the rate based on total vehicles miles traveled annually in the U.S., which avoids all privacy issues related to individual driver/vehicle monitoring.

- **Sales Taxes:** Taxes on bicycles, electric and hybrid vehicles, trucks and trailers, and auto parts like tires could be increased. The goal is to ensure that users who do not currently pay into the HTF, such as those with hybrids and bicycles, also contribute to roadway infrastructure investments.

**Maintain tax-exempt status of municipal bonds** - Municipal bonds are securities issued by a local government for a public project and are an essential infrastructure financing mechanism. The federal government does not tax the interest on these securities. Preserving their tax-exempt status will ensure access to the capital needed to build and maintain infrastructure at the lowest cost to taxpayers.

**Lift the cap on Private Activity Bonds (PABs)** - Public-private partnerships (P3s) are joint government ventures funded and operated through a partnership of a government and one or more private sector investors. Under this arrangement, the operator provides revenues from the fees for using a service to those making the venture capital investment. One significant way to finance these projects is through PABs, which are securities issued by a local government for private or non-governmental projects. Congress capped PABs with only $15 billion allowed to be issued each year. Raising the cap incentivizes more infrastructure financing from the private sector for projects.

An efficient and well-functioning transportation network is essential to maintaining U.S. economic competitiveness. Economic growth, personal mobility, and public safety are dependent on Congress identifying and enacting funding and financing solutions for long-term infrastructure investment.

Infrastructure investment should be long-term, robust and sustainable, with a funding mechanism that addresses the HTF shortfalls with durable solutions that both stabilize and increase critical highway investments to position America’s economy for future success. We respectfully urge Congress to pass a robust long-term infrastructure package that adequately addresses the current shortfalls impacting our nation’s current infrastructure.

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