



HIGHWAY MATERIALS GROUP

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September 11, 2017

The Honorable Paul Ryan
Speaker of the House
H-232, The Capitol
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
H-204, The Capitol
Washington, DC 20515

The Honorable Kevin McCarthy
Majority Leader
H-329, The Capitol
Washington, DC 20515

The Honorable Steny Hoyer
Minority Whip
H-148, The Capitol
Washington, DC 20515

Dear Speaker, Majority Leader, Minority Leader and Minority Whip:

As Congress begins their efforts to reform the tax code for the first time in a generation, it is vital that the long-term sustainability of the Highway Trust Fund (HTF) be addressed as part of any comprehensive agreement. The Highway Materials Group (HMG), comprised of national associations representing companies that provide the construction materials and equipment essential to building America's transportation infrastructure, urges Congress to enact a long-term, robust and sustainable funding mechanism that addresses the HTF shortfall with solutions that both stabilize and increase critical highway investments to position America's economy for the future.

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 a yearly deficit of a trillion dollars, the Federal Government has strained resources to address this disparity.

The HTF faces a \$121 billion shortfall over the next decade. It funds the vast majority of federal aid highway projects across the United States and it is funded mainly via motor fuels taxes that have been static since 1993. The Fixing America's Surface Transportation (FAST) Act [P.L. 114-94], authorizing \$305.5 billion for federal highway and other transportation programs through 2020, unfortunately does nothing to address the structural problems with the HTF. In order to address this, both financing solutions and a comprehensive modernization of the HTF are needed to sufficiently bolster the funding mechanism and grow much-needed investments in transportation infrastructure.

With President Trump's goal of investing a trillion dollars in infrastructure and reforming the tax code, there is an opportunity to provide robust and long-term fixes to both the funding and financing mechanisms for infrastructure investment.

The HTF has provided stable, reliable and substantial highway funding for decades since its inception in 1956, but this is no longer the case. Since 2008, the HTF has been sustained through a series of General Fund transfers now amounting to \$140 billion. According to the January 2017 baseline of the Congressional Budget Office, HTF spending is estimated to exceed receipts by roughly \$17 billion in FY 2021, growing to about \$24 billion by FY 2027.

The outdated tax on motor fuels covers an ever-shrinking portion of America's yearly infrastructure costs due to a confluence of factors, including increased fuel efficiency of cars and trucks, eroded purchasing power and an increase in alternative fuel vehicles that do not pay their share in highway user fees. Numerous studies and commissions over the last decade (most notably the National Surface transportation Policy and Revenue Study Commission, 2007) have identified the simplest and most efficient means to address the HTF funding deficit. Raising the motor fuels tax rates, last increased in 1993 to 18.4 cents per gallon on gasoline and 24.4 cents per gallon on diesel, and indexing it to inflation can ensure a robust and reliable funding source moving forward.

The HMG recognizes that America's economic vitality and ability to compete in the global marketplace depends on an integrated national, intermodal surface transportation network that reliably moves goods and people to maximize the quality of life and economic prosperity for all Americans.

Comprehensive tax reform is the logical vehicle to identify and implement a robust and sustainable funding mechanism that addresses the HTF shortfall to achieve the long-term vision for our national transportation system.

The HMG asks that you join us in supporting the inclusion of measures in tax reform legislation that will put the HTF on sustainable ground and ensure America's economic prosperity and global competitiveness into the future.

Sincerely,

The Highway Materials Group