



## HIGHWAY MATERIALS GROUP

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November 8, 2017

The Honorable Orrin Hatch  
Chairman  
Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

As the Senate 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. 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.

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. Increasing revenues going into the Highway Trust Fund, when paired with tax reform, provide the solution to the revenues needed to off set lowering taxes for the middle class and small businesses.

As a financing solution, the HMG also supports maintaining the tax-exempt status of Private Activity Bonds (PABs). As you are aware, the House bill terminates them and we believe this conflicts with the message Congress and the Administration have been delivering to include all types of funding sources for infrastructure

improves, including private capital. PABs are a crucial financing tool issued by or on behalf of states and local governments for surface transportation projects, airports and port facilities. Abruptly ending this incentive for private sector financing would further constrain available funding for certain infrastructure projects and raise costs for these projects, no matter how they are financed.

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