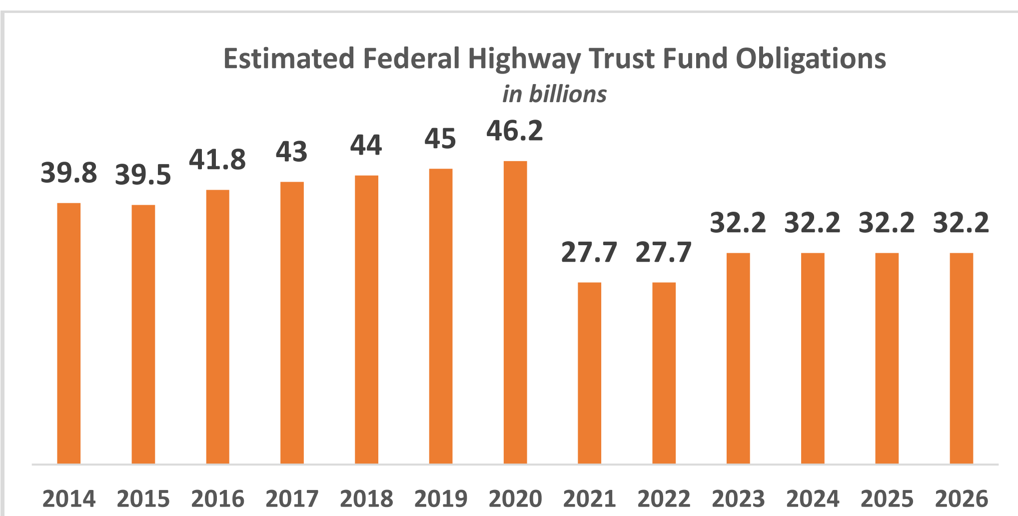
CONGRESS NEEDS TO ENACT A LONG-TERM REVENUE SOLUTION FOR THE HIGHWAY TRUST FUND

The FAST Act's authorization of $305 billion for federal highway and other transportation programs from 2016 to 2020 was an important step in investing in our multimodal transportation infrastructure, but still falls far, far short in investing the necessary funds to bring the nation's highway network up to a state of good repair.

Under the FAST Act, the Highway Trust Fund (HTF) continues to remain at a crossroads. 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 about $17 billion in FY 2021, growing to about $24 billion by FY 2027. Furthermore, the HTF is expected to experience a significant cash shortfall in FY 2021, since it cannot incur a negative balance.

Framing this HTF "cliff" in terms of federal highway obligations, the American Association of State Highway and Transportation Officials (ASSHTO) estimates that states may see a 40 percent drop from FY 2020 to the following year—from $46.2 billion to $27.7 billion in FY 2021. In the past, such similar shortfall situations have led to the possibility of reduction in federal reimbursements to states on existing obligations, leading to serious cash flow problems for states and resulting project delays. This is a devastating scenario that Congress must address.

ESTIMATED FEDERAL HIGHWAY AND TRANSIT OBLIGATIONS BEYOND FY 2020 WITH NO ADDITIONAL REVENUES TO THE HIGHWAY TRUST FUND



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ANY NEW INFRASTRUCTURE PACKAGE MUST BUILD ON THE FAST ACT

NAPA recognizes a special opportunity this year to enact a major infrastructure investment initiative. The Trump Administration has pledged full support in bringing US infrastructure up to standard and there is strong bipartisan support in Congress to stand by President's Trump's pledge. As the President considers the outlines of this package for transportation infrastructure, NAPA offers the following recommendations.

<u>Utilize the Existing Formula-based Funding Structure</u>

For over one hundred years—and as exemplified by the FAST Act—we as a nation have enjoyed the benefits of the federal government's highly successful partnership with state DOTs to build and maintain the nation's surface transportation system. From the Federal-aid Road Act of 1916 establishing the foundation of a federally-funded, state-administered highway program that has been well-suited to a growing and geographically diverse nation, federal investment in the highway system have allowed states and their local partners to fund a wide range of projects that serve the interest of the nation as a whole.

Thanks to the Federal Highway Administration (FHWA) cooperative partnership approach with the state transportation agencies that defers material-type selection, project selection, and investment decision-making to state and local governments, diverse communities in rural, suburban, and urban areas of the country have all been able to help people get to and from work, and help goods get access to a larger market than ever before in a way that best meet their unique needs.

Based on the federal surface transportation program's long track record of efficiency and flexibility, NAPA recommends that any increase in federal funds should flow through the existing FAST Act programs. Putting the program framework that built the Interstate Highway System and the National Highway System—the backbone of our national network of roads and bridges that drive the national economy—into work again to deploy additional federal resources represent the optimal approach to serve each and every corner of our country, improving mobility and quality of life in urban, suburban, and rural areas.

<u>Direct Funding Instead of Financing Tools</u>

Beyond fixing the HTF, we believe any major transportation infrastructure package must focus on direct funding rather than on federal financing support. This is because financing tools that leverage existing revenue streams—such as user fees and taxes—are typically not viable for most transportation projects in the United States. It should be said that many transportation agencies already access capital markets to help speed up the delivery of much-needed transportation improvements, and many states already rely on various forms of financing and procurement ranging from bonding, TIFIA credit assistance, state infrastructure banks, and public-private partnerships.

However, there are limitations to the use of such financing tools. The fact is that most transportation projects simply cannot generate a sufficient revenue stream through tolls, fares, or other user fees to service debt or provide return on investment to private-sector equity holders. In 2014, such non-direct funding sources amounted to less than 18 percent of total capital outlays.

The evidence is clear, our nation needs a highway network overhaul. In its 2017 report card, the American Society of Civil Engineers graded America's roads a D and said more than two out of every five miles of the nation's urban interstates are congested. One out of every five miles of highway pavement is in poor condition and our roads have a significant and increasing backlog of rehabilitation needs. After years of decline, traffic fatalities increased by 7% from 2014 to 2015, with 35,092 people dying on America's roads.

Congress has been underfunding the Federal-aid Highway system for years bringing America's infrastructure closer to third-world status and resulting in a $836 billion backlog of highway and bridge capital needs. The bulk of the backlog ($420 billion) is in repairing existing highways, while $123 billion is needed for bridge repair, $167 billion for system expansion, and $126 for system enhancement (which includes safety enhancements, operational improvements, and environmental projects).

Congress must increase Federal-aid highway funding to tackle the massive backlog of highway needs. The current user fee of 18.4 cents per gallon on gasoline and 24.4 cents per gallon on diesel should be raised and tied to inflation to restore its purchasing power, fill the funding deficit, and ensure reliable funding for the future. According to FHWA, each dollar spent on road, highway and bridge improvements results in an average benefit of $5.20 in the form of reduced vehicle maintenance costs, reduced delays, reduced fuel consumption, improved safety, reduced road and bridge maintenance costs, and reduced emissions as a result of improved traffic flow.

NAPA POSITION STATEMENT

NAPA 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 global competitiveness, quality of life, and economic prosperity for all citizens. To realize this economic prosperity and global competitiveness, our nation must invest in highway infrastructure systems that not only keeps pace with today's businesses and industries, but will also allow for healthy expansion in the future. This requires a robust and sustainable funding mechanism for the HTF.

NAPA urges Congress to coalesce around the common goal of enacting a long-term, robust and sustainable funding mechanism that addresses the Highway Trust Fund (HTF) shortfall with solutions that both stabilize and increase critical highway investments to position America's economy for future success. We recognize that for Congress to make this significant step forward, new revenues for the HTF must be instituted and we believe the best opportunity to do so will be through tax reform.