BUILD AMERICA: LONG-TERM INVESTMENT IN A RELIABLE, EFFICIENT AND SAFE NATIONAL ROAD SYSTEM

OUR ROADWAYS ARE DETERIORATING

A well-maintained, reliable and efficient network of highways is crucial to the delivery of the nation's freight and vital to our country's economic and social well-being. More than 70 percent of freight and approximately 90 percent of passenger travel occurs on the four million mile road system. Our economic prosperity depends on a reliable freight transportation system, and the trucking industry is at the heart of our supply chain, moving $10 trillion worth of freight annually.

But the road system on which we travel is rapidly deteriorating. The American Society of Civil Engineers (ASCE) gave America's infrastructure a dismal D+ on its 2017 report card. Among the recipients of the lowest marks were the nation's highways, which the ASCE report described as "often crowded, frequently in poor condition, chronically underfunded, and are becoming more dangerous."

These conditions come with high costs:

- The average motorist loses $523 annually due to higher maintenance and vehicle operational costs from rough roads.
- Congestion represents a $960 yearly penalty.
- The cost of inaction to the average American is nearly $1,500 a year. The trucking industry also pays a high price for congestion, which adds more than $63 billion to the cost of freight transportation each year.

ASCE found that $110 billion in additional investments each year will be needed over the next decade to address surface transportation capital investment needs. Since the historical federal share is approximately 50 percent, the annual federal shortfall is around $50 billion. Without a significant increase in investment, pavement conditions will continue to deteriorate, more bridges will fall into disrepair, and transportation networks will become more congested and less reliable.

THE HTF IS ON THE ROAD TO INSOLVENCY

The Highway Trust Fund (HTF) is the primary source of federal revenue for highway projects, safety programs and transit investments. It is currently projected to run short of the funds necessary to maintain current spending levels by the end of calendar year 2020. While an average of $40 billion per year is expected to be collected from highway users, at least $60 billion annually will be required to prevent significant reductions in federal aid for critical projects and programs. Therefore, at least $20 billion per year will be needed in addition to the current revenue from highway user fees to prevent a reduction in funds. It should be noted that the $60 billion annual federal investment from the HTF still falls well short of the resources necessary to provide the federal share of the investment needed to address the nation's surface transportation maintenance and capacity needs.

Reduced funding to states is certainly not desirable and adding more money to the HTF from General Fund subsidies is not fiscally responsible in the long term. Many states – especially those with large land areas and small populations – simply do not have the tax base or traffic volumes to rely on either local taxes or fees, or private investment, to replace their federal aid.

A better solution is needed.

THE SOLUTION: THE BUILD AMERICA FUND

The federal government faces increasing challenges to meet its constitutionally binding investments in our infrastructure. Additional revenue is needed to avoid a shortfall in the Highway Trust Fund in order to prevent further system deterioration. Furthermore, critical projects that can foster disproportionately large benefits should be prioritized. Additionally, federal project approval requirements should be streamlined in order to maximize investment and ensure that federal resources are used efficiently.

ATA proposes the establishment of a new **Build America Fund (BAF)**. The BAF will be supported with

- a new 20 cent per gallon fee built into the price of transportation fuels collected at the terminal rack,
- to be phased in over four years (five cent increase per year). The increase is assumed to begin on January 1, 2019.
- Once fully phased in, the fee will be double indexed to inflation and improvements in fuel efficiency.

The BAF will generate sufficient revenue to both ensure the long-term future of the Highway Trust Fund and begin to address major transportation capacity challenges. In order to prevent large increases due to high rates of inflation, annual indexation should be capped at five percent.

Voters also appear to be receptive to the idea. According to a May 2017 Quinnipiac University national poll, 51% of voters agree that raising additional fees at the gas pump to specifically pay for repairs to the U.S. infrastructure is a good idea.

BUILD AMERICA COSTS TO MOTORISTS ARE FAR CHEAPER THAN THE COST OF INACTION

A 20 cent increase is fair and equitable and would cost the average passenger vehicle driver just $2.00 per week, or a little over $100 per year;

- the average box truck driver will pay $6.75 per week;
- and the average weekly cost for a tractor-semitrailer driver is $40.44.

Inaction is costing the average American motorist nearly $1,500 per year due to rough roads and congestion. The cost of the Build America Fund is a fraction of that and will be an investment toward a reliable, efficient and safe highway system.

REVENUE WILL ADDRESS CRITICAL NATIONAL AND LOCAL INFRASTRUCTURE CHALLENGES

HIGHWAY TRUST FUND

The first tranche of revenue generated by the new fee will be transferred to the HTF. Using a FY 2020 baseline, existing HTF programs will be funded at authorized levels sufficient to prevent a reduction in distributed funds, plus an annual increase to account for inflation.

Of the remainder, $5 billion will be dedicated to a new National Priorities Program (NPP) administered by the U.S. Department of Transportation. All remaining Build America revenue will be placed into a Local Priorities Program (LPP) and distributed by formula to the states.

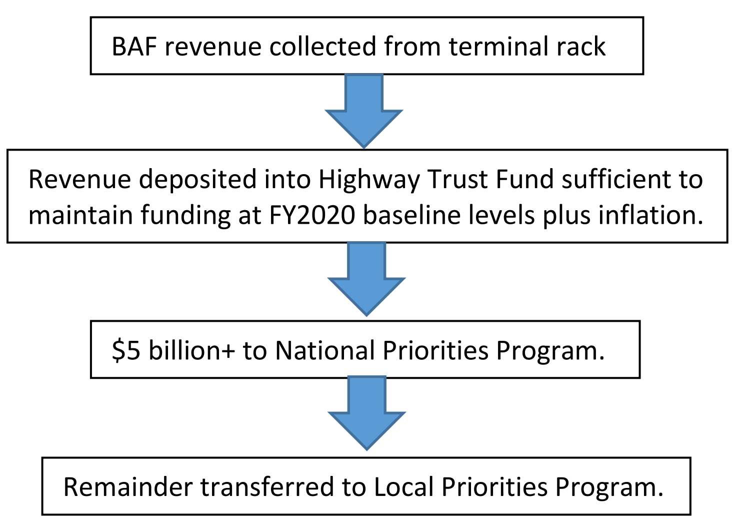
NATIONAL PRIORITIES PROGRAM

The NPP will be funded with an annual allocation of $5 billion, plus an annual increase equivalent to the percentage increase in BAF revenue. Each year the USDOT will determine the location of the 100 costliest highway bottlenecks in the nation and publish the list. Suggested criteria may include the number of vehicles; amount of freight; congestion levels; reliability; safety; or air quality impacts. States with identified bottlenecks can apply to USDOT for project funding grants on a competitive basis. Locations can appear on the list over multiple years until they are addressed.

LOCAL PRIORITIES PROGRAM

The funds remaining following the transfer to the HTF and the NPP will be placed into the LPP. Funds are apportioned to the states according to the same formula established by the Surface Transportation Block Grant Program, including suballocation to local agencies. Project eligibility is the same as the eligibility under the National Highway Freight Program or National Highway Performance Program, for highway projects only.

PROGRAM STRUCTURE



TOLLS AND ASSET RECYCLING ARE NOT VIABLE FUNDING SOLUTIONS

ATA strongly believes that the proposed Build America Fund is the most fair and equitable path to reverse the current course toward critical divestment in transportation infrastructure and reinvest in our national roadway system.

ATA will consider any reasonable funding alternatives that ensure the long-term stability of the Highway Trust Fund and begin to address critical projects of national and regional significance. However we will oppose two solutions under consideration: tolls on existing Interstates and "asset recycling." It should be noted that neither option will prevent the HTF from collapsing in 2020 or beyond.

Tolls – Federal law generally prohibits tolling on currently toll-free general purpose lanes of the Interstate System, with a few exceptions: States may toll a new or reconstructed bridge or tunnel; or states may toll Interstates under two pilot programs, one that took effect in 1991 and another that was established in 1998. Other than a small handful of bridge projects, no state has ever taken advantage of these exceptions, primarily because tolling existing roads is extremely unpopular, with large majorities of respondents consistently expressing opposition to tolls in public opinion surveys. There are also good policy reasons to oppose Interstate tolls. Toll collection costs are significantly greater than the cost of collecting other user fees. Furthermore, tolls cause motorists to use alternative routes that are generally less safe and not as well constructed. ATA strongly opposes expansion of Interstate tolling authority and we support rolling back existing exceptions.

Asset Recycling – A relatively new term borrowed from Australia, asset recycling involves a long-term lease of public owned existing infrastructure assets to investors in exchange for an upfront payment, the proceeds of which can be used for new infrastructure projects. In Australia the federal government provides an incentive in the form of a 15 percent subsidization of the revenue used for infrastructure projects funded by recycled asset proceeds. In the U.S., similar schemes were used for long-term leases of the Indiana Toll Road and Chicago Skyway (without the federal incentive payment) a decade ago. In both cases toll rates skyrocketed, with little or no benefit for the users of those facilities. ATA will oppose any proposal that incentivizes asset recycling of highway infrastructure.

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