

10-Years of Sustainable Funding of the Highway Trust Fund

Background

The Highway Trust Fund continually spends billions of dollars more than it brings in. Since 2008, Congress has enacted 6 general fund transfers, totaling \$62 billion in deficit spending, to keep the Highway Trust Fund solvent. In order to effectively address the ongoing Highway Trust Fund shortfall, all options must be on the table. There are several ideas with merit that should be considered. The concept below allows all proposals to be considered, while simultaneously ensuring the trust fund remains solvent for no less than 10-years.

Near-Term Solution:

The highway trust fund must be extended and funded by June 1, 2015 or face an inability to adequately fund projects. With a deadline only a few months away, the only viable options for funding are ones that can be implemented immediately; indexing the gas and diesel taxes to inflation is one such solution. By indexing the gas and diesel taxes to inflation prospectively, Congress can raise roughly \$27.5 billion, eliminating about 1.7 years of the Highway Trust Fund's current shortfall and assuring the 10 year plan is funded through December 31, 2016.

In order to help reach a truly long-term solution to funding the Highway Trust Fund, this legislation would create a bipartisan, bicameral commission charged with determining a path forward for sustainable funding. If the commission is able to reach agreement by a super-majority, the commission's recommendations would receive expedited consideration in both the House and Senate, allowing for reform of the highway funding system through an up-or-down vote. The Commission would be advised to consider all options, including repatriation, as it worked to fix the funding problem.

- It would establish a bipartisan bicameral Transportation Commission no later than September 1, 2015. The Commission would be required to develop and recommend a long term funding solution by September 1, 2016. The House and Senate must pass and implement the Commission's long term funding recommendations OR pass and implement a solution which funds the HTF for at least 3 years by December 31, 2016.

Mid-Term Solution to ensure predictable funding for the HTF:

Because Congress rarely acts without an "action forcing event," Congress will be required to enact the recommendations of the commission, or any other funding mechanism that achieves at least 3 years of funding for the Highway Trust Fund, by December 31, 2016. If Congress fails to achieve at least 3 years of funding by this time, the gas tax will increase to a level that would sustain the trust fund for a 3 year period. This increase would be approximately 3.5 cents.

During the next 3 year period, if Congress has not acted to fund the Highway Trust Fund for the remainder of the 10 year period following enactment of this legislation, the gas tax would again be increased to a sufficient amount to fund the Highway Trust Fund through the remaining 5 years.

This combined structure ensures that the Highway Trust Fund remains funded for no less than 10 years.

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- 1) Index the Gas and Diesel Tax – 1.7 years of funding.
- 2) Establish a bipartisan bicameral Transportation Commission no later than September 1, 2015. The Commission is required to develop and recommend a long term funding solution by September 1, 2016.
- 3) House and Senate must pass and implement the Commission's long term funding recommendations OR pass and implement a solution which funds the HTF for at least 3 years by December 31, 2016.
- 4) If Congress fails to pass the commission's recommendations or a funding solution that achieves at least 3 years of funding, the gas tax will automatically increase to a level sufficient to fund the 3 year shortfall. This increase would be about 3.5 cents.
- 5) By the time the 4.7 years of funding expires, Congress must pass and implement any other option(s) that get a minimum of 5.3 years of funding, to reach a total of 10 years of funding.
- 6) If Congress fails to fund the HTF through this period, the gas tax increases to fill the 5.3 year shortfall (10 years total).