

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2561 Rayburn House Office Building
Washington, DC 20515-6515

Memorandum

To: Members, Committee on Small Business
From: Committee Staff
Date: June 1, 2015
Re: Hearing: "The Road Ahead: Small Businesses and the Need for a Long-Term Surface Transportation Reauthorization"

On June 3, 2015 at 11:00 am, the Committee on Small Business will meet in room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on the role of small businesses in the development and use of the nation's infrastructure. In particular, the hearing will focus on small firm participation in the surface transportation construction industry. The hearing also will examine how a robust and efficient national infrastructure assists small businesses in getting their goods and services to market.

I. Background

A robust surface transportation infrastructure is critical to the United States, as it facilitates expeditious commerce, promotes global competitiveness, allows businesses to expand, and lowers the price of household goods for American families. Providing transportation choices enables businesses to choose the most efficient way to ship their goods. The nation's surface transportation network provides these choices over 4 million miles of public roadways, 127,000 miles of railroad, and 25,000 miles of navigable waterways.¹ Highways carried more than 2.9 trillion vehicle miles in 2012² (including cars, trucks, motorcycles, and buses) and public transportation carried over 50 billion passenger miles in 2012.³ All modes of transportation moved more than 19.6 billion tons of freight valued at more

¹http://www.rita.dot.gov/bts/sites/rita.dot.gov.bts/files/publications/pocket_guide_to_transportation/2015/1_Infrast_ructure/table1_1.

²http://www.rita.dot.gov/bts/sites/rita.dot.gov.bts/files/publications/national_transportation_statistics/html/table_01_35.html.

³ AMERICAN PUBLIC TRANSPORTATION ASSOCIATION, 2014 PUBLIC TRANSPORTATION FACT BOOK 10 (2014), available at <http://www.apta.com/resources/statistics/Documents/FactBook/2014-APTA-Fact-Book.pdf>.

than \$17.3 trillion (in 2007 dollars).⁴ Of that total, trucks moved more than 13.1 billion tons valued at \$11.1 trillion (in 2007 dollars).⁵ While rail and waterway shipping play important roles in our surface transportation infrastructure, road transportation is by far the most prevalent.

This network, while obviously necessary for commerce, if inadequate imposes significant costs on the public and businesses. Time spent stuck in traffic results in higher out-of-pocket costs for businesses and households and wastes time that could be spent engaged in more productive activities.⁶ For example, the Texas Transportation Institute estimates that American commuters in urban areas collectively lost 5.5 billion hours in traffic delays and that same congestion caused consumers to purchase an additional 2.9 billion gallons of fuel at a cost of \$120 billion.⁷ For the trucking industry alone, congestion causes more than 243 million hours of delay each year, at a cost of \$7.8 billion.⁸

Once every four years, the American Society of Civil Engineers ASCE conducts a comprehensive assessment of the nation's major infrastructure categories. Using a simple A to F school report card format, the document⁹ provides a comprehensive assessment of current infrastructure conditions and needs. The ASCE gave our roads and transit infrastructure a grade of "D" while our bridges received a "C+," and the report concluded that our transportation infrastructure systems are failing to keep pace with the current and expanding needs.

Providing the nation with transportation infrastructure has long been recognized as a federal responsibility that is shared along with state and local entities. For nearly 70 years, the federal government has funded road transportation infrastructure development and maintenance through the Highway Trust Fund (HTF), created by the Federal-Aid Highway Act of 1956.¹⁰ While the HTF funds roadways and mass transit projects, other surface transportation modes

⁴ UNITED STATES DEPARTMENT OF TRANSPORTATION, FEDERAL HIGHWAY ADMINISTRATION, FREIGHT FACTS AND FIGURES 3 (2013), *available at*

http://ops.fhwa.dot.gov/Freight/freight_analysis/nat_freight_stats/docs/13factsfigures/pdfs/fff2013_highres.pdf.

⁵ *Id.* at 4.

⁶ NATIONAL ECONOMIC COUNCIL, AN ECONOMIC ANALYSIS OF TRANSPORTATION INFRASTRUCTURE INVESTMENT 5 (2014), *available at*

https://www.whitehouse.gov/sites/default/files/docs/economic_analysis_of_transportation_investments.pdf

[hereinafter "NEC Analysis"].

⁷ D. SCHRANK, B. EISELE, & T. LOMAX, TEXAS A&M TRANSPORTATION INSTITUTE URBAN MOBILITY REPORT 5 (2012), *available at* <http://d2dtl5nnlpfr0r.cloudfront.net/tti.tamu.edu/documents/mobility-report-2012.pdf>.

⁸ <http://www.fhwa.dot.gov/publications/publicroads/07mar/05.cfm>.

⁹ AMERICAN SOCIETY OF ENGINEERS, REPORT CARD FOR AMERICA'S INFRASTRUCTURE 6-7 (2013), *available at* <http://www.infrastructurereportcard.org/a/documents/2013-Report-Card.pdf>.

¹⁰ Pub. L. No. 84-627, 70 Stat. 374 (1956). Although denominated as a trust fund for highways, the title is a misnomer since it also funds mass transit projects not all of which involve roads.

receive federal funds in other ways, such as direct appropriations to Amtrak¹¹ and to inland waterway navigation projects conducted by the United States Army Corps of Engineers.¹²

II. History of the Highway Trust Fund

The federal government's road and mass transit programs are financed mostly through the HTF, an accounting mechanism in the federal budget that comprises two separate accounts one for highways and one for mass transit.¹³ The trust fund records specific cash inflows from revenues¹⁴ and records cash outflows for spending on designated highway and mass transit programs, mostly in the form of grants to states and local governments.¹⁵

The HTF is financed from a number of sources including sales taxes on tires, trucks, buses, and trailers, as well as truck usage taxes. However, approximately 90% of trust fund revenue comes from excise taxes on motor fuels which is currently 18.3 cents per gallon on gasoline and 24.3 cents per gallon on diesel.¹⁶ Of the two accounts (highways and mass transit) the highway account receives an allocation equivalent to 15.44 cents of the gasoline tax and the mass transit account receives the revenue generated by 2.86 cents of the tax. Fuel taxes are set in terms of cents per gallon, rather than as a percentage of the sale price. As a result, their revenues do not increase with inflation or other changes in the price of fuel. The fuel tax rates were last raised in 1993.¹⁷

The period of sluggish economic performance that began in 2007 and improvements in vehicle fuel efficiency have reduced fuel tax revenue below projections. In the past 10 years, outlays from the HTF have exceeded revenues by more than \$52 billion, and outlays will exceed revenues by an estimated \$167 billion over the 2015-2024 period if obligations from the fund continue at the 2014 rate (with adjustments for future inflation) and the expiring taxes on fuels and heavy vehicles are extended at their current rates.¹⁸

¹¹ Congress appropriated \$1.4 billion Amtrak in Fiscal year 2015. Consolidated and Further Continuing Appropriations, 2015, Pub. L. No. 113-235, Div. k., Tit I, 128 Stat 2130, 2716-17 (2014).

¹² Congress appropriated \$2.91 billion to the U.S. Army Corps of Engineers for operations care, and maintenance of inland waterways and harbors, and \$1.64 billion for new construction projects. *Id.*, at Div. D, Tit I, 128 Stat at 2203-04.

¹³ *The Status of the Highway Trust Fund and Options for Financing Highway Spending: Hearing before the Senate Committee on Finance 2* (2014) (statement of Joseph Kile), available at <http://www.cbo.gov/sites/default/files/45315-TransportationTestimony.pdf> [hereinafter "Kile Testimony"].

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ MICHAEL SARGENT, HERITAGE FOUNDATION HIGHWAY TRUST FUND BASICS: A PRIMER ON FEDERAL SURFACE TRANSPORTATION SPENDING 2 (2015), available at <http://www.heritage.org/research/reports/2015/05/highway-trust-fund-basics-a-primer-on-federal-surface-transportation-spending>.

¹⁷ The Revenue Reconciliation Act of 1993, incorporated into the Omnibus Budget Reconciliation Act of 1993, increased the gas tax by 4.3 cents, from 14.1 cents to 18.4 cents. Pub. L. No. 103-66, Tit. XIII, Pt. IV, Subpart B, § 13242, 107 Stat. 327, 514 (1993), codified at 26 U.S.C. § 4081 (a)(2)(A).

¹⁸ CONGRESSIONAL BUDGET OFFICE, THE HIGHWAY TRUST FUND AND THE TREATMENT OF SURFACE TRANSPORTATION PROGRAMS IN THE FEDERAL BUDGET 1 (2014), available at <http://www.cbo.gov/sites/default/files/45416-TransportationScoring.pdf> [hereinafter "CBO HTF"].

The most recent multi-year authorization for federal surface transportation programs, the Moving Ahead for Progress in the 21st Century Act (MAP-21),¹⁹ authorized federal surface transportation programs and activities through September 30, 2014. Subsequently, Congress has temporarily extended MAP-21 once, with a second extension currently making its way through the legislative process. The Highway and Transportation Funding Act of 2014²⁰ provided \$10.8 billion in transfers to the HTF and extended the policies and funding authorizations of MAP-21 from October 1, 2014, through May 31, 2015. More recently, the House passed H.R. 2353, the Highway and Transportation Act on May 19, 2015. While the bill does not transfer any funding to the HTF as it is expected to remain solvent through the end of July, the legislation extends the policies and funding authorizations of MAP-21 through July 31, 2015. A third extension would be necessary prior to the end of July should Congress not agree to a desired multi-year authorization.

Under current law, the trust fund cannot incur negative balances, nor can it borrow to cover unmet obligations. To match the trust fund's resources with its spending, lawmakers could choose to authorize additional transfers, reduce spending for surface transportation programs, boost the fund's revenues, or adopt some combination of those approaches.²¹

III. Role of Small Business in Transportation Infrastructure Development

Almost all spending on highway infrastructure and transit projects in the United States is funded publicly. In 2013, governments at various levels spent \$156 billion to build, operate, and maintain highways, and they spent \$60 billion on mass transit systems.²² Of that total, about \$50 billion came from the federal government²³ and the rest was supplied by state and local governments. Although the private sector participates in building, operating, and maintaining projects (businesses both large and small), federal, state, and local officials typically determine which projects to undertake and how much to spend on them.

Infrastructure investment supports private sector jobs in the United States including: construction of roads and transit; manufacture of rolling stock and construction equipment; and development of technologies that make systems run efficiently and allow for effective management.²⁴ Beyond the direct and indirect employment effects are the jobs that are supported across other sectors of the economy when a fully supported infrastructure (highways, rail, public transportation, etc.) catalyzes economic development, enables economic activity, provides transportation choices, addresses traffic congestion, and enables broader access to employees by employers.²⁵

¹⁹ Pub. L. No. 112-141, 126 Stat. 405 (2012).

²⁰ Pub. L. No. 113-159, 128 Stat. 1839 (2014).

²¹ CBO HTF, *supra* note 18, at 1.

²² Kile Testimony, *supra* note 13, at 1.

²³ CBO HTF, *supra* note 18 at 1. The federal spending took the form of grants to state and local governments.

²⁴ *Surface Transportation Reauthorization: Building on the Successes of MAP-21 to Deliver Safe, Efficient and Effective Public Transportation Services and Projects*, Hearing before the Senate Banking, Housing, and Urban Affairs Committee 5 (2015) (statement of Janet Kavinsky), available at https://www.uschamber.com/sites/default/files/150422_kavinsky_testimony_to_senate_banking.pdf.

²⁵ *Id.*

While the most important impact of infrastructure development comes from long-term competitiveness, productivity, and innovation, it also creates many thousands of jobs in the near term.²⁶ These jobs run the gamut from the obvious—construction workers and inputs for the development of infrastructure to the obscure—retailers selling necessary goods to those workers. Analysis of data from the Bureau of Labor and Statistics suggest that 68 percent of the jobs created by investing in infrastructure are in the construction sector, 10 percent in the manufacturing sector, and 6 percent in retail trade.²⁷ American Public Transportation Association research also demonstrated the multiplier effect of infrastructure construction with nearly 15,900 jobs supported per year for every \$1 billion of spending on public transportation capital.²⁸

IV. Conclusion

A strong and efficient infrastructure network enables people and goods to access the markets, services, and inputs of production essential to America's economic vitality. Small firms, whether or not involved in the development of surface transportation infrastructure, depend on infrastructure development for job creation and economic growth. The hearing will provide members the opportunity to explore a range of small business issues emanating from the current surface transportation debate.

²⁶ NEC Analysis, *supra* note 4, at 8.

²⁷ *Id.*

²⁸ AMERICAN PUBLIC TRANSPORTATION ASSOCIATION, ECONOMIC IMPACT OF PUBLIC TRANSPORTATION INVESTMENT V (2014), available at <http://www.apta.com/resources/reportsandpublications/Documents/Economic-Impact-Public-Transportation-Investment-APTA.pdf>.