



April 13, 2021

Chairman Tom Carper  
Senate Committee on Environment and Public Works  
Washington, D.C. 20510

Ranking Member Shelley Moore Capito  
Senate Committee on Environment and Public Works  
Washington, D.C. 20510

Dear Chairman Carper, Ranking Member Capito, and Members of the Committee:

On behalf of the National Taxpayers Union, the nation's oldest taxpayer advocacy organization, I write to express our views regarding the upcoming April 14th hearing on the Highway Trust Fund (HTF). We applaud the Committee for holding a hearing on potential solutions that can address the HTF's deep structural flaws and ensure its viability in the 21st century and beyond. We hope our views, which prioritize taxpayer interests, will help the Committee craft a bipartisan solution to this pressing issue.

As the Committee is no doubt aware, the solvency and long term sustainability of the HTF is in serious jeopardy. On both sides of the [balance sheet](#), the HTF faces a series of challenges: dwindling revenue and growing outlays. The Congressional Budget Office estimates this imbalance will lead to cumulative deficits of \$176 billion over the next ten year budget window. Because the Highway Trust Fund by law is not allowed to run a negative balance, it falls on every taxpayer to fund the general fund transfer from the regular budget into the HTF.

It's clear Congress must act. Kicking the can down the road is no longer an option. The overwhelming majority of HTF revenue - between 80 and 90 percent - is generated from excise taxes levied on the sale of gasoline and diesel fuel, currently imposed at a rate 18.3 cents per gallon and 24.4 cents per gallon respectively. These taxes have not been increased by the Congress since 1993, nearly 30 years ago.

The biggest challenge facing the HTF is not from a failure to raise taxes, but rather impressive technological advances from the private sector. Today, fuel economy standards are almost 50 percent higher than they were 30 years ago. These improved fuel efficiency standards, in conjunction with the widespread use of Electric Vehicles (EVs) which are powered by electricity, means there is far less demand for traditional gasoline. Consequently, less reliance on gasoline results in lower gas tax revenue.

The way Americans travel on a daily basis has changed considerably over the past several decades, but the way we fund our infrastructure trust fund has remained the same. With the prospect for a large scale infrastructure package or a bipartisan reauthorization package quite likely, there is a unique opportunity to address the glaring problem facing the HTF. Below are a few options we believe the Congress should consider attaching to a possible infrastructure package:

**Replace the Gas Tax with a Vehicle Miles Traveled (VMT) Tax.** As previously mentioned, the federal gas tax is no longer an efficient user-pay, user-benefit model as it was in the past. With the widespread availability of EVs and fuel efficient cars that use less gas, these drivers use the roads without having to pay their fair share into the fund that repairs those same roads. To become a true user-fee model, Congress should begin the

transition to a VMT fee, a much more inclusive and stable revenue source than the current gas tax. Importantly, a VMT should supplant, not supplement the existing gas tax.

Additionally, Congress might find it prudent to impose a slightly higher VMT on trucks to account for the higher levels of wear and tear on roadways, similar to how the diesel gas tax is levied at a higher rate than the regular gas tax.

**End the Diversion of Gas Tax Revenue.** The revenue derived from the gas tax is allocated to one of two buckets: the Highway Account and the Mass Transit Account. Money deposited into the HTF is used to fund roads and bridges, whereas the Mass Transit Account is used to fund transit projects unrelated to driving, such as rail projects, buses, and streetcars. The Highway Trust Fund receives a majority of its funding from taxes on gasoline and diesel fuel, rooted in a user-pay assumption that these revenues will be used for federal highway construction and maintenance. The Mass Transit Account violates this model by diverting billions of dollars to fund everything from street cars to light rail systems. Indeed, the Mass Transit Account represents the second-largest expenditure from the Highway Trust Fund, just after the Highway Account. These largely local, municipally controlled systems subsidize the activities of users who don't pay into the underlying fund.

Congress should phase out the Highway Trust Fund's Mass Transit Account, thereby ending misuse of federal gas tax dollars and creating a more sustainable path for the Highway Trust Fund. Or, if members of Congress view the Mass Transit Account as "essential" it should impose a new fee on the users of rail, buses, or other forms of transportation which would be used to fund the Mass Transit Account.

**Enact Spending and Regulatory Reforms.** Some in Congress support shoring up the shaky finances of the Highway Trust Fund by simply raising the federal tax rate on gasoline and diesel fuel. While this may be an option, NTU does not believe Congress should increase the federal gas tax. However, if Congress does decide to go down this route, lawmakers should also attach much needed regulatory reform to maximize each dollar that is spent on infrastructure. For example, Congress could reform the National Environmental Policy Act, labor regulations and procurement regulations.

NTU recognizes there may be no silver bullet solution to this problem and some tradeoffs will likely be required in order to ensure the sustainability of the HTF. We look forward to working with the Committee as you craft bipartisan legislation in the weeks and months ahead.

Sincerely,

Thomas Aiello  
Director of Federal Affairs