CEMENT & CONCRETE FLY-IN 2018

INFRASTRUCTURE INVESTMENT

BACKGROUND

According to the American Society of Civil Engineers' 2017 Report Card, the U.S. has a $2 trillion investment gap in infrastructure funding over the next 10 years. Combined with an estimated annual deficit of more than $500 billion over the next several years, the federal government has few resources to address this shortfall. For example, the Highway Trust Fund (HTF), which funds the vast majority of construction and improvements to our national highway system, faces a $121 billion shortfall over the next decade. In order to address this gap, both financing solutions and a comprehensive modernization of HTF funding mechanisms are needed to simply maintain current highway and transit funding levels.

With President Trump's goal of investing at least $1.5 trillion in infrastructure there is an opportunity to address both the funding and financing mechanisms for road, bridge, airport, drinking water, sewer, and other federal construction programs. The Trump Administration's infrastructure plan has four objectives: stimulate $1.5 trillion in new investment and infrastructure from $200 billion in direct federal spending; shorten the federal permitting process down to two years; invest in rural infrastructure, and make improvements to training our workforce. The $200 billion in direct federal spending is divided into five programs, of which $100 billion, or 50 percent is dedicated to incentive programs that do the bulk of the initiative's leveraging.

STATUS OF FUNDING

Modernizing transportation user fees - The HTF is funded through fixed-rate, per gallon, federal excises on the sale of gasoline and diesel, a federal sales tax on heavy trucks, trailers and tires, and an annual heavy truck usage fee. The primary source of funding for the HTF is fuel taxes, totaling 90 percent of the amount paid. The gasoline and diesel taxes have been static since 1993 at 18.4 cents and 24.4 cents per gallon respectively. It is important to fully address the existing funding shortfall merely to maintain current investment levels. Further, Congress should significantly expand funding for future federal surface transportation program investments to meet identified capital needs. Congress faces numerous options to fix the HTF, and all opportunities should be considered for solvency.

Preferred Options for Fixing the HTF include:

- ***Fuel Tax Increase***: Raise and index the federal gasoline and diesel fuel tax base-rates to keep pace with annual price inflation.
- ***Freight Charge***: Initiate a new federal excise on the cost of shipping freight by heavy trucks, similar to the federal air cargo tax and dedicate the revenue to modernization of the National Highway Freight Network.
- ***Vehicle Miles Traveled Tax (VMT)***: Charge users based on the amount they drive. Administer electronically or through some other process. One proposal uses a "virtual" VMT that sets the rate based on total vehicles miles traveled

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STATUS OF FUNDING
(Continued)

annually in the U.S., which avoids all privacy issues related to individual driver/vehicle monitoring.

- ***Sales Taxes*:** Taxes on bicycles, electric and hybrid vehicles, trucks and trailers, and auto parts like tires could be increased. The goal is to ensure that users who do not currently pay into the HTF (such as those with hybrids and bicycles), also contribute to roadway infrastructure investments.

STATUS OF FINANCING

Maintain tax-exempt status of municipal bonds - Municipal bonds are securities issued by a local government for a public project and are an essential infrastructure financing mechanism. The federal government does not tax the interest on these securities. Preserving their tax-exempt status will ensure access to the capital needed to build and maintain infrastructure at the lowest cost to taxpayers.

Lift the cap on Private Activity Bonds - Public-private partnerships (P3s) join together government and private sector investors to fund projects through an arrangement based on each party's proportionate cost and benefit. One significant way to finance these projects is through Private Activity Bonds (PABs), which are securities issued by a local government for private or non-governmental projects. Congress has capped PABs, with only $15 billion allowed to be issued each year. Raising the annual cap would incentivize more infrastructure financing from the private sector for projects.

ACTION REQUESTED

Infrastructure investment should be long-term, robust and sustainable, with a funding mechanism that addresses the Highway Trust Fund shortfalls with durable solutions that both stabilize and increase critical highway investments to position America's economy for future success. We respectfully urge Congress to pass a robust long-term infrastructure package that adequately addresses the current shortfalls impacting our nation's current infrastructure. An efficient and well-functioning transportation network is essential to maintaining U.S. economic competitiveness. Economic growth, personal mobility, and public safety are dependent on Congress identifying and enacting funding and financing solutions for long-term infrastructure investment.

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