

# White Paper:

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ATA Urges Congress to Find a Solutions to  
Highway Fund Shortages

GTG Technology Group



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## ATA Urges Congress to Find a Solution to Highway Fund Shortages

This month, The American Trucking Association's President, Bill Graves, officially asked Congress to come up with solutions to the highway funding issue. The lack of highway funding has been a serious ongoing issue unresolved for over a year now. The problem is the federal investment in the Highway Trust Fund is staggeringly low, while the trucking industry itself makes over \$40 billion in contributions every year in the form of user fees, fuel taxes, and vehicle use taxes.

Unfortunately, this doesn't scratch the surface of the investment needed to improve deteriorating highways and bridges. For instance, the nation's highway system currently needs roughly \$740 billion for immediate repairs and almost \$121 billion for annual ongoing maintenance. Deteriorating highways not only affect the capacity utilization of the trucking industry, they are a direct threat to the safety of all roadway travelers. Without necessary repairs and ongoing maintenance, the highway infrastructure will not be able to keep up with the growing number of vehicles and drivers on the road.

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<sup>1</sup><http://www.trucking.org/ATA%20Docs/News%20and%20Information/Testimony%20and%20Comments/06%2017%2015%20-%20FINAL%20ATA%20W%20and%20M%20Testimony%202015.pdf>

<sup>2</sup> <http://www.artba.org/about/transportation-faqs/>

<sup>3</sup> <http://www.infrastructurereportcard.org/wp-content/uploads/2013ReportCardforAmericasInfrastructure.pdf>

## The Highway Trust Fund

The Highway Trust Fund, established in 1956, is designed to fund improvements and maintenance on the United States interstate highways. The Mass Transit Fund opened in 1982 to serve as supplemental funding for public transit. These accounts are funded through federal fuel tax, which generates [18.4 cents per gallon of gas and 24.4 cents per gallon of diesel](#)<sup>4</sup>.

Before the fund was established, road repairs and maintenance were funded directly from the U.S. department of treasury. The money came from a General Fund used for other purposes as well. The growing population and increasing highway use demanded a fund exclusively for infrastructure repairs. Thus, the Highway Trust Fund was born. The federal government collects gas tax from consumers and distributes it to individual states. Each state decides how the money will be spent on road repairs, and they use the money for repairs like highway construction, safety improvements, maintaining bridges, and roadway congestion initiatives.

Up until the 1990s, gas taxes steadily increased in an effort to keep up with the nation's debt. By 1993, [the Omnibus Reconciliation Act redirected all of the gas tax towards deficit reduction](#)<sup>5</sup>, leaving nothing going towards the Highway Trust Fund. Finally, in 1997, the Act was amended, and the Highway Trust Fund began to see a revenue stream again. By this time, though, it was too late and the fund already experienced significant shortages.

By 2008, the fund required \$8 billion just to make up for the shortage from the 1990s. The recession and higher gas prices led to even more backlogged costs, and roughly [\\$26.5 billion was transferred to the fund by 2010](#)<sup>6</sup>. Since then, the Highway Trust Fund has been depleting its income sources. Originally projected to run out by August of this year, the loss of funding came early.

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<sup>4</sup> <http://www.sanjuanjournal.com/business/289708251.html?mobile=true>

<sup>5</sup> <http://www.fhwa.dot.gov/infrastructure/gastax.cfm>

<sup>6</sup> <http://www.rpc.senate.gov/policy-papers/state-of-the-highway-trust-fund>

## Implications of the Lack of Funding

The Highway Trust Fund, and the gas tax that feeds it, have not been adjusted for inflation since the early 1990s. While 18.4 cents per gallon was more than enough in the early 1990s, that rate led to a significant loss of purchasing power. In order to match today's inflation rates, the tax would have to be doubled. As a result, the Highway Trust Fund has to borrow billions of dollars from the government to repair and maintain roads. Currently, the fund struggles to pay back the [\\$64.1 billion in borrowed funds](#)<sup>7</sup>. This led to an infrastructure crisis of great proportions:

- The congestion on major roadways alone results in an estimated [\\$101 billion in wasted gas each year](#)<sup>8</sup>.
- It will cost [\\$740 billion](#)<sup>9</sup> just to get the nation's major roadways and bridges in optimum working condition.
- After that, it will take an additional [\\$120 million per year to maintain roads](#)<sup>10</sup>, even at the lowest travel growth percentage of 1%. If the travel growth percentage increases to the highest estimation of 3.5%, it will cost roughly \$56 billion per year.
- [Two thirds of the nation's highways are in poor condition](#)<sup>11</sup>.
- [67,000 bridges are closed or cannot accommodate loads](#)<sup>12</sup>.
- The bridge rehabilitation backlog alone accounts for \$112 billion in needed repairs. There are 63,500 structurally deficient bridges in the United States.
- [1 out of every 3 crashes is due to poor road conditions](#)<sup>13</sup>.
- If infrastructure continues to crumble, it is estimated that working Americans will make [\\$700 less annually and will spend \\$360 each year on repairs](#)<sup>14</sup>.
- [By 2020, traffic times will triple](#)<sup>15</sup>.

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<sup>7</sup> <http://communityimpact.com/congress-battles-to-solve-highway-trust-fund-deficit/>

<sup>8</sup> <http://www.pitt.edu/~jmd140/trends.htm>

<sup>9</sup> [http://www.joc.com/regulation-policy/transportation-policy/aashto-calls-fix-not-patch-highway-funding-shortfall\\_20150523.html](http://www.joc.com/regulation-policy/transportation-policy/aashto-calls-fix-not-patch-highway-funding-shortfall_20150523.html)

<sup>10</sup> <http://www.artba.org/about/transportation-faqs/>

<sup>11</sup> <http://www.artba.org/about/transportation-faqs/>

<sup>12</sup> <http://www.governing.com/blogs/by-the-numbers/gov-states-with-worst-bridges-face-battle.html?page=1>

<sup>13</sup> <http://www.infrastructurereportcard.org/a/#p/roads/success-stories>

<sup>14</sup> <http://www.infrastructurereportcard.org/roads/>

<sup>15</sup> <http://www.infrastructurereportcard.org/roads/>

- Business productivity will decrease because of congestion and transportation costs. This will cost businesses an [estimated \\$240 billion](#)<sup>16</sup>.
- The country's exports will decrease and the GDP will drop by [roughly \\$897 billion](#)<sup>17</sup>.

The nation's roads and bridges are deteriorating at an alarming pace, and unless something is done immediately, the future of the economy is jeopardized. The trucking industry will be the first to feel the brunt of the crisis.

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<sup>16</sup> <http://www.infrastructurereportcard.org/roads/>

<sup>17</sup> <http://www.infrastructurereportcard.org/roads/>

## The Trucker Shortage

Crumbling infrastructure has directly contributed to the trucker shortage the nation now endures. Currently, the trucking industry is nearing 100% capacity usage. Simply put, there are not enough truckers, vehicles, or time to operate efficiently. Trucking companies have made a significant effort to improve by increasing driver pay, hiring more drivers, and focusing on retention rates; however, the [turnover rate is still hovering around 90%](#).<sup>18</sup>

It is estimated that the shortage is between 35,000 to 40,000 drivers, and the problem is only expected to get worse. Freight carriers have to keep entire fleets on the road just to keep up with consumer demands. The amount of highway congestion contributes to the amount of time each trucker sits in traffic, resulting in wasted time and money. Texas A&M's Transportation Institute estimates that the trucking industry wastes nearly [141 million hours and \\$9.2 billion](#)<sup>19</sup> in fuel because of roadway congestion.

The amount of time the trucking industry wastes is equivalent to 51,000 truckers sitting in traffic for one full year. The total cost for the whole country is around \$121 billion, meaning that the average person wastes [\\$818 per year stuck in traffic](#)<sup>20</sup>. The American Trucker Association continually urges congress to act on the deteriorating roads and depleted Highway Trust Fund. Over the past 22 years, tensions continued to mount, and congress perpetually ignores the industry's pleas.

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<sup>18</sup> <http://ttnews.com/articles/basetemplate.aspx?storyid=28273>

<sup>19</sup> [http://onlinepubs.trb.org/onlinepubs/nchrp/docs/NCHRP20-24%2886%29\\_BottomLine2014.pdf](http://onlinepubs.trb.org/onlinepubs/nchrp/docs/NCHRP20-24%2886%29_BottomLine2014.pdf)

<sup>20</sup> [http://onlinepubs.trb.org/onlinepubs/nchrp/docs/NCHRP20-24%2886%29\\_BottomLine2014.pdf](http://onlinepubs.trb.org/onlinepubs/nchrp/docs/NCHRP20-24%2886%29_BottomLine2014.pdf)

## American Trucking Associations' President Addresses Congress

On June 17th, the President and CEO of American Trucking Associations, Bill Graves, officially addressed lawmakers on the state of the crisis. The ATA represents more than 37,000 members of motor carriers in the United States. His testimony focused on the immediate need for a solution to the problem.

The trucking industry already contributes a significant amount to the Highway Trust Fund, but without adequate federal investment, the fund falls short. Trucking companies pay more than \$16.5 billion in fuel taxes and other taxes associated with the trucking industry. Carriers also contributed an additional \$21 billion in highway user fees, bringing the total investments up to \$40 billion per year<sup>21</sup>.

Highway capital investment from government agencies is slightly more than double that figure. But the \$88 billion contributed by the government each year is not nearly enough. The Highway Trust Fund would need between \$120-144 billion on an annual basis to keep roads in working order. That is after the \$740 billion needed for backlogged repairs. Without government funding, infrastructure repair projects will not move forward:

- 35 states reported that their projects would be affected.
- In 2014, 9 states shut down or delayed projects for a total of \$366 million.
- 19 states this year reported concerns about future projects.
- DOT workers reported that over \$1.1 billion in projects would be jeopardized.
- This year, 7 states canceled or delayed projects, totaling \$1.63 billion and more than 45,000 jobs lost<sup>22</sup>.

Graves testifies that the trucking industry is "willing to support an even greater commitment." Graves suggested adding new sources for revenue that would increase the Highway Trust Fund. Sources should be stable and allow for long-term funding (as opposed to the short-term funding and loans that fed the fund since the 1950s). Funding sources would need to be applied evenly across all highway users, based on highway and vehicle use. Additionally, the sources would need to be inexpensive and easy to implement and enforce, should not allow for evasion, and should not impede interstate commerce. Graves suggests the following solutions:

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<sup>21</sup> <http://waysandmeans.house.gov/wp-content/uploads/2015/06/Graves-Testimony.pdf>

<sup>22</sup> <http://www.artba.org/wp-content/uploads/2014/03/ARTBA-HTF-Uncertainty-Report-05-27-2015.pdf>

## Increase and index the fuel tax

As the use of fuel-efficient vehicles increases, thus reducing the opportunity for collecting fuel tax, an increased fuel tax will make up for the gap. The Department of Energy predicts that highway fuel use will drop by 5% over the next 10 years. The proposed Update Act would increase tax by 15 cents per gallon and would be changed with inflation each year. The average driver would pay \$1.51 more in gas per week, and truckers would pay an average of \$12 more per week.

### **Implement a new highway access fee on major highways.**

Because state highways already have the infrastructure to collect fees, integration would be relatively simple. Graves suggests that a new flat fee should be implemented for all vehicles, which will deposit revenue to the Highway Trust Fund and state administration costs.

### **Collect royalties from oil and gas leases.**

Royalties on new leases would contribute a portion to the Highway Trust Fund. Though new energy leases would generate little income in the short-term, they would allow for substantial and steady revenue over the long-term.

### **Attach a barrel tax on imported petroleum and domestic crude oil.**

Like highway user fees, the infrastructure for collecting petroleum and crude oil taxes is already in place. Taxes would be collected before oil is refined, with a portion going to the Highway Trust Fund.

In addition to the proposed solutions from the ATA, the association also addressed several revenue sources it opposes:

- **Increasing heavy vehicle use tax.** Heavy vehicles make up less than 1% of registered vehicles in the U.S, and therefore the tax would not provide significant revenue.
- **Increase vehicle excise tax.** The current excise tax already steers trucking companies away from buying new, safer, and more efficient vehicles. If the 12% tax is increased, it will become more of a problem.
- **Increasing tire tax.** In order to create substantial revenue, the tax would have to be raised by an extremely large amount. Currently, the tire tax only makes up for 1% of the Highway Trust Fund revenue. Raising the tax would not net significant results.
- **Imposing a Vehicle Miles Traveled tax.** The VMT tax will necessitate more than 250 million new accounts to be established. Additionally, collection and administration costs would be extremely high. It would be costly and inefficient to implement and may lead to tax evasion and data breaches.
- **Interstate tolls.** States may be given the option to impose their own highway tolls. The ADA adamantly opposes this because tolls are expensive to collect due to administrative costs.

- Additionally, they allow for evasion, and they often push drivers onto secondary roads exacerbating the need for road maintenance<sup>23</sup>.

The focus of Graves' proposal is to find a long-term and stable source of revenue. It looks into immediate solutions and future sustainable efforts to improve the highway infrastructure of our nation. It is a problem that, if not addressed in the immediate future, will result in years of economic hardships. A solution needs to be found, both for tomorrow and the decades ahead.

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<sup>23</sup> <http://www.trucking.org/article.aspx?uid=c5f6bbab-02e0-4d32-8d2a-ce2f0610a728>

## How Improvements Would Affect Americans

The solutions that the ATA proposed would affect truckers, and the proposed changes would reach consumers in the general public as well. Raising the fuel tax would not significantly impact the amount that consumers already pay to use roadways. The structure is already in place and would not require additional administrative costs. The average driver would only pay an estimated [\\$1.51 more per week for fuel in return for safer and less congested roads](#)<sup>24</sup>.

As of right now, consumers pay roughly \$324 per year on vehicle repairs because of poor road conditions. Potholes cause hundreds of dollars in severe damage to vehicles, including tires and tire rods, wheel alignment, struts, shocks, and ball joints. Replacing just one tire can cost between \$100-250, and a broken control arm can cost up to \$400 to repair. If the Highway Trust Fund were to generate income to maintain roads, potholes would no longer be an issue<sup>25</sup>.

Americans would also experience significantly less congestion. The Highway Trust Fund pays for maintenance in addition to new infrastructure construction. One of the main concerns is improving major roadways to be able to handle the increasing population and travel growth. Currently, Americans spend about [5.5 billion hours each year sitting in traffic](#)<sup>26</sup>.

Each year, 2.9 billion gallons of gas are wasted while cars idle in roadway congestion. By 2020, the Urban Mobility Report estimates those numbers will rise to 8.4 billion wasted hours and 4.5 billion gallons of wasted gas. New construction to our nation's major highways would open up more travel options, improve the safety of existing structures, and cut down on congestion expenditures<sup>27</sup>.

Perhaps the most important effect of increasing the Highway Trust Fund's revenue is job security. If the Highway Trust Fund depletes further, an estimated 877,000 jobs are at risk. This is a time where our economy cannot handle more job loss. The insolvency of the fund would lead to delays and cancellations of nearly 112,000 road projects. This will cost more than 700,000 construction workers their jobs<sup>28</sup>.

In addition to construction workers, high-level administrative jobs, civic engineer work, and transportation and shipping jobs will be jeopardized. Commute time will become longer and more expensive, meaning Americans will make less money every year. The break down will lead to nationwide economic hardships. As product and shipping prices increase and income decreases, businesses and consumers alike will lose millions of dollars.

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<sup>24</sup> <http://waysandmeans.house.gov/wp-content/uploads/2015/06/Graves-Testimony.pdf>

<sup>25</sup> <http://waysandmeans.house.gov/wp-content/uploads/2015/06/Graves-Testimony.pdf>

<sup>26</sup> <http://www.theatlantic.com/business/archive/2013/02/the-american-commuter-spends-38-hours-a-year-stuck-in-traffic/272905/>

<sup>27</sup> <http://d2dtl5nnlpfr0r.cloudfront.net/tti.tamu.edu/documents/mobility-report-2012.pdf>

<sup>28</sup> <http://www.thetrucker.com/News/Stories/2015/1/26/ATAAUSAUSChamberaskCongressoraisefueltaxes.aspx>

## Raising the Fuel Tax Is the Answer

The Highway Trust Fund debate "has been taking place for 22 years," as Graves says. "It's time for us to acknowledge that the fuel tax is the lesser of all the infrastructure funding evils." With gas prices at a significant low, now would be the opportune time to raise the federal fuel tax. With no increase for the past 22 years, the gas tax has not kept up with inflation and ineffectively contributes to the Highway Trust Fund.. Unfortunately, only 25% of Americans are on board with raising the tax. In addition to providing revenue for the Highway Trust Fund, the tax increase would encourage Americans to evaluate fuel usage habits and consider fuel-efficient vehicles. This would lead to an increase in MPG and a decrease in pollution.

Either the fuel tax must be raised, or congress must find another way to generate sustainable income for the Highway Trust Fund. Whatever the decision, it must be done now. The future of our nation's roads and our continued economic strength rests in congress's hands. As Graves says "The decisions this Committee makes will determine whether a business succeeds or fails..." This rings true not just for businesses and jobs, but also for the entire country and its economy.

## Notes

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