November 5, 2010

The Honorable Erskine Bowles
Co-Chairman
National Commission on Fiscal
Responsibility and Reform
1650 Pennsylvania Ave., NW
Washington, D.C. 20504

The Honorable Alan Simpson
Co-Chairman
National Commission on Fiscal
Responsibility and Reform
1650 Pennsylvania Ave., NW
Washington, D.C. 20504

Dear Chairmen Bowles and Simpson,

We write to urge your Commission, in its report to President Obama, to address the fiscal deficiencies of our nation's transportation budget. The federal transportation program is suffering from two crises. First, the Highway Trust Fund's revenue stream is insufficient for current outlays. Second, the existing level of transportation investment is inadequate to maintain our infrastructure and provide for 21st century improvements.

The Highway Trust Fund, which includes the Highway and Mass Transit accounts, is the primary federal funding mechanism for our nation's surface transportation network. Since 1956, federal excise taxes on gasoline and diesel have been deposited into the Highway Trust Fund and utilized to repair and expand federally-eligible transportation systems. However, the Highway Trust Fund can no longer sustain the level of outlays authorized under current law and recently has experienced near negative balances. To deal with this problem, Congress has transferred a total of $34.5 billion from the General Fund in 2008 and 2009 to maintain a positive balance in the Highway Trust Fund. These transfers delayed immediate insolvency but did not fix the underlying problem. As a result, the Congressional Budget Office estimates that the Highway Trust Fund will require $34 billion over the next six years to maintain existing outlays. This situation will force Congress to decide between two unacceptable solutions: additional transfers from the General Fund, which will lead to a higher deficit, or a sharp reduction in federal transportation funding for every state, which will create additional unemployment and continued deterioration of infrastructure.

The Highway Trust Fund's fiscal problems occur at a time when our transportation system is showing its age. The Interstate Highway System is more than fifty years old and many roadways and bridges are reaching the end of their useful life. In fact, nearly fifty percent of all bridges were built before 1966. In addition, the average age of transit rail vehicles is twenty years, with thirty-two percent of the fleet considered over-age. The U.S. Department of Transportation estimates that an additional $60 billion per year is needed to return our highways, bridges, and transit systems to a state of good repair. Expanding our infrastructure to accommodate a growing population and economy will cost even more.

To address these fiscal challenges, we suggest that the Commission include an increase in the federal tax on gasoline and diesel as part of your report to the President. We suggest that the taxes be increased by one cent per month for 25 months – a total of 25 cents over a three-year period. Within this increase, 10 cents should be temporarily dedicated to deficit reduction, raising more than $83 billion over 5 years, and 15 cents should fund transportation improvements, providing $117 billion in new investments over five years. When the deficit is under control, the 10 cent increase for deficit reduction should revert to transportation funding, so as to maintain the user fee concept of the gasoline and diesel taxes. Upon completion of the month-by-month increase, the taxes should be indexed to inflation to prevent an erosion of purchasing power. Finally, all revenue from the 15 cent increase should be deposited into an escrow account at the U.S. Department of Treasury until Congress enacts a surface transportation authorization bill to allocate the new funding.

This proposal will fix the transportation program's major fiscal challenges. It will remove the approaching need for further General Fund transfers to the Highway Trust Fund, will provide additional deficit reduction, will supply essential investment for transportation infrastructure, and will create more than 750,000 jobs.

We thank you for your work on behalf of fiscal responsibility. The task that you have undertaken is essential to the long-term strength of our nation. We hope that you will recognize that integral components of long-term strength are a manageable deficit and a robust and self-sufficient transportation system.

Sincerely,

Tom Carper

Senator Thomas Carper
United States Senator

George V. Voinovich

Senator George V. Voinovich
United States Senator

cc:

Senator Max Baucus
Congressman Xavier Becerra
Congressman Dave Camp
Senator Tom Coburn
Senator Kent Conrad
David Cote, Chairman and CEO, Honeywell International
Senator Mike Crapo
Senator Richard Durbin
Ann Fudge, Former CEO, Young & Rubicam Brands
Senator Judd Gregg
Congressman Jeb Hensarling
Alice Rivlin, Senior Fellow, Brookings Institute and former Director, Office of Management & Budget

Congressman Paul Ryan
Congresswoman Jan Schakowsky
Congressman John Spratt
Andrew Stern, President, Service Employees International Union