H.R. ____
Investing in America: A Penny for Progress Act
Introduced by Ranking Member Peter DeFazio

March 22, 2017

EXECUTIVE SUMMARY

H.R. _____, the "Investing in America: A Penny for Progress Act", provides approximately $500 billion in infrastructure investment to improve the conditions of our Nation's highways, bridges, and public transit systems, address the Federal underinvestment that has caused the current state-of-good-repair backlog, and meet future highway and transit needs through fiscal year (FY) 2030. To finance the additional investment, the bill authorizes the U.S. Department of Treasury to issue 30-year Invest in America Bonds annually, through 2030. Each bond will be repaid at the end of its 30-year term, using revenues from indexing the gasoline and diesel user fee beginning in 2017.

HIGHWAY AND TRANSIT INFRASTRUCTURE BACKLOG

According to the U.S. Department of Transportation's 2015 Conditions and Performance Report[1], the Nation faces an **$836 billion backlog of unmet capital investment needs for highways and bridges**, with a need to invest $142.5 billion per year to improve the conditions and performance of our roads and bridges and address future highway needs. We also face an **$89.8 billion backlog in public transit state of good repair**, with the need to invest a minimum of $26.4 billion per year on maintenance and to accommodate future transit ridership growth.

Despite the growing need for more investment in highway and transit infrastructure, Federal investment has been relatively flat for years. Using data from the 2015 Conditions and Performance Report, the difference between current Federal investment levels and **the additional Federal contribution necessary to address the highway, bridge, and transit state-of-good-repair backlog and address future system needs is <u>$17.2 billion in FY 2017</u>.**

$500 BILLION IN HIGHWAY AND TRANSIT INFRASTRUCTURE INVESTMENT

H.R. ____ provides approximately $500 billion in infrastructure investment to improve the conditions of our Nation's highways, bridges, and public transit systems, address the Federal underinvestment that has caused the current state-of-good-repair backlog, and address future highway and transit needs through 2030. On an annual basis, this additional infrastructure investment represents an approximately **<u>30 percent increase</u>** over current funding levels.

The bill directs these additional funds to be invested proportionally among highway, transit, and safety programs authorized by the FAST Act. Federal-aid highway apportioned and allocated programs will each receive a proportional increase. For example, in the first year, this bill provides an **<u>additional</u>** $630 million for formula and discretionary freight programs, $3.2 billion for the Surface Transportation Block Grant Program, and $85 million for TIFIA. H.R. ____ also provides

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[1] The U.S. Department of Transportation 2015 Conditions and Performance Report. Available at: http://www.fhwa.dot.gov/policy/2015cpr/

additional investments for transit programs, including $730 million for State of Good Repair and $206 million for transit buses and facilities.

In addition, this bill **funds the shortfall in the Highway Trust Fund through 2030**. Under current law, the Congressional Budget Office (CBO) estimates that the Highway Trust Fund will have a $139 billion shortfall over ten years. This shortfall will increase each year through FY 2030. The bill funds the Highway Trust Fund shortfall each year through FY 2030.

Finally, the bill **repeals the current law provision that requires a rescission of $7.6 billion of highway funding on July 1, 2020.**[2]

FINANCING THIS INVESTMENT: INVEST IN AMERICA BONDS

To finance the additional investment, H.R. _____ authorizes the U.S. Department of the Treasury to issue 30-year Invest in America Bonds annually, through 2030. The bill directs the Department of the Treasury to sell bonds on an annual basis in an amount sufficient to: (1) provide additional Federal investment necessary to improve the condition of highways and transit, as calculated by the U.S. Department of Transportation; and (2) fund the annual shortfall in the Highway Trust Fund. This additional investment will address the current state-of-good-repair highway, bridge, and transit backlog and meet future surface transportation needs.

The proceeds from the bond sales will be deposited into the Highway Trust Fund, and these additional revenues will spend out proportionately under currently authorized highway, transit, freight, and highway safety programs. Each bond will be repaid at the end of its 30-year term, using revenues from indexing the gasoline and diesel user fees beginning in 2017. These indexation revenues will be set aside in a separate account in the U.S. Treasury.[3] This bill is akin to a municipality issuing bonds for capital projects and repaying the bonds with a dedicated excise tax.

PAYING FOR THIS INVESTMENT

Gasoline and diesel user fees are the principal means to fund the Highway Trust Fund. However, the user fees, last adjusted in 1993, have lost more than 40 percent of their purchasing power, creating a large shortfall in the Highway Trust Fund. The FAST Act (P.L. 114-94) authorized transfers to the Highway Trust Fund to sustain current funding levels through FY 2020.

H.R. _____ indexes the gasoline and diesel user fees. The indexation is based on two factors:

(1) the cost of constructing transportation projects (pursuant to the National Construction Cost Index of the U.S. Department of Transportation); and

(2) reduced motor fuel usage (primarily because of Corporate Average Fuel Economy (CAFE) standards issued by the National Highway Traffic Safety Administration and the Environmental Protection Agency).

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[2] P.L. 114-94, sec. 1438.

[3] Interest payments are made from the same account semiannually. The interest rate would be the BS131 US Government Agency Curve, currently approximately 3.6 percent.

Based on Transportation and Infrastructure Committee Democratic staff estimates, this indexation bill will likely increase the gas and diesel user fees by approximately 1 cent per year, and generate approximately $500 billion in additional revenues. [4]

To ensure stability, the bill also prevents large fluctuations in the level of the gas and diesel user fees by capping the annual indexation at 1.5 cents.

A Penny for Progress **Estimated Additional Annual Highway, Transit, and Highway Safety Investments***			
State	**Additional Annual Highway Investments**	**Additional Annual Transit Investments**	**Total Additional Annual Investments**
Alabama	$244,343,298	$15,699,199	**$260,042,497**
Alaska	$161,487,897	$14,928,354	**$176,416,251**
Arizona	$235,641,858	$33,909,159	**$269,551,017**
Arkansas	$166,745,954	$9,317,976	**$176,063,930**
California	$1,182,072,822	$388,867,048	**$1,570,939,870**
Colorado	$172,218,956	$33,970,213	**$206,189,169**
Connecticut	$161,760,645	$49,000,524	**$210,761,169**
Delaware	$54,479,956	$7,161,394	**$61,641,350**
Dist. of Col.	$51,388,262	$59,734,568	**$111,122,830**
Florida	$610,201,290	$108,409,817	**$718,611,107**
Georgia	$415,849,505	$55,036,066	**$470,885,571**
Hawaii	$54,471,984	$12,265,945	**$66,737,929**
Idaho	$92,117,071	$6,959,248	**$99,076,319**
Illinois	$457,892,497	$168,366,152	**$626,258,649**
Indiana	$306,878,380	$25,653,660	**$332,532,040**
Iowa	$158,280,852	$11,738,840	**$170,019,692**
Kansas	$121,706,614	$9,933,255	**$131,639,869**
Kentucky	$213,988,122	$15,393,526	**$229,381,648**
Louisiana	$226,040,878	$18,094,459	**$244,135,337**
Maine	$59,450,973	$9,035,609	**$68,486,582**

[4] This calculation includes the Joint Committee on Taxation income and payroll offset, and projected declines in Vehicle Miles Traveled (VMT) for passenger vehicles, and projected VMT increases for commercial motor vehicles.

State	Additional Annual Highway Investments	Additional Annual Transit Investments	Total Additional Annual Investments
Maryland	$193,539,719	$70,279,791	**$263,819,510**
Massachusetts	$195,603,718	$105,893,992	**$301,497,710**
Michigan	$339,092,554	$38,474,608	**$377,567,162**
Minnesota	$210,011,394	$32,985,620	**$242,997,014**
Mississippi	$155,764,334	$8,373,098	**$164,137,432**
Missouri	$304,892,530	$27,533,525	**$332,426,055**
Montana	$132,140,994	$5,961,957	**$138,102,951**
Nebraska	$93,089,800	$7,302,020	**$100,391,820**
Nevada	$116,947,399	$17,542,229	**$134,489,628**
New Hampshire	$53,212,548	$4,827,158	**$58,039,706**
New Jersey	$321,566,900	$170,333,996	**$491,900,896**
New Mexico	$118,270,440	$14,362,616	**$132,633,056**
New York	$540,600,343	$420,063,091	**$960,663,434**
North Carolina	$335,896,002	$35,318,684	**$371,214,686**
North Dakota	$79,957,806	$4,129,890	**$84,087,696**
Ohio	$431,700,423	$53,566,213	**$485,266,636**
Oklahoma	$204,256,351	$14,256,446	**$218,512,797**
Oregon	$160,976,643	$29,358,725	**$190,335,368**
Pennsylvania	$528,423,165	$121,238,247	**$649,661,412**
Rhode Island	$70,434,571	$10,895,620	**$81,330,191**
South Carolina	$215,661,334	$14,170,517	**$229,831,851**
South Dakota	$90,825,545	$4,604,294	**$95,429,839**
Tennessee	$272,153,921	$25,477,400	**$297,631,321**
Texas	$934,763,140	$123,922,767	**$1,058,685,907**
Utah	$111,833,481	$22,491,129	**$134,324,610**
Vermont	$65,364,295	$2,707,211	**$68,071,506**
Virginia	$327,737,505	$46,446,383	**$374,183,888**
Washington	$218,331,003	$72,068,952	**$290,399,955**
West Virginia	$140,746,653	$7,454,855	**$148,201,508**
Wisconsin	$242,329,679	$23,946,773	**$266,276,452**
Wyoming	$82,507,403	$3,397,832	**$85,905,235**

*Estimates of additional investments for the first year of *A Penny for Progress*, based on technical assistance provided by the Federal Highway Administration and Federal Transit Administration.