April 12, 2021

The Honorable Tom Carper
Chairman
Committee on Environment and Public Works
410 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Shelley Moore Capito
Ranking Member
Committee on Environment and Public Works
456 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Carper and Ranking Member Capito,

The federal Highway Trust Fund, which supports the construction and maintenance of our nation’s highways and transit systems, is facing a cash flow crisis. While raising transportation user fees may be politically unpopular, relying predominately on a static gas tax is not an equitable or sustainable long-term solution.

In January 2020, the Bipartisan Policy Center released a report, “A Roadmap to the Last Gas Tax Increase,” with former Reps. Bill Shuster (R-PA) and Joe Crowley (D-NY). The report outlined the most politically viable, fiscally responsible, and bipartisan solutions to pay for the next federal surface transportation reauthorization bill and best meet our nation’s transportation needs for the next decade and beyond. Importantly, we recognize that revenue is outside of the committee’s jurisdiction. However, you have a critical role in shaping this debate, building support for the user-pays principle that underlies highway spending, and preparing for the transition to a new and a more sustainable source of revenue.

To that end, we applaud the committee for hosting a hearing to explore the long-term solvency of the Highway Trust Fund and, in advance, we wish to highlight four key recommendations from our work on this important issue:

Increase fuel user fees one last time and index them to inflation.

A static gas tax, unadjusted to keep pace with inflation, can meet fewer infrastructure needs over time and puts increasing pressure on Congress to find offsets in the budget or deficit-spend—the latter being fiscally irresponsible given the exploding federal debt. In total, Congress must find nearly $200 billion in the budget to cover projected Highway Trust Fund revenue shortfalls over the next 10 years. To boost federal transportation funding, finally tackle deferred maintenance, sustainably pay for needed investments, and buy time to transition to a user fee based on vehicle miles traveled, fuel user fees should be increased by at least 15 cents and indexed to inflation. This is the only short-term option that will adequately cover all near-term needs and maintain the user-pay principle embedded in the current system. To avoid negatively impacting consumers and the economy as we continue to fight and recover.

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from the COVID-19 pandemic, such an increase could be scheduled to phase in only when economic growth picks up.²

**Strengthen the user-pay, user-benefit model.**

The Highway Trust Fund provides for a nexus between who pays and who benefits from the fund, though it does not follow a direct 1:1 user-pay, user-benefit model. Starting in 1970, just 14 years after the creation of the trust fund, Congress began expanding the list of eligible projects to include transit projects, despite only collecting revenue from a variety of vehicle-related taxes. Policymakers should seek to ensure that those who benefit from HTF spending are contributing something. To that end, Congress could:

- Roughly synchronize spending with user tax/fee receipts;
- Periodically analyze all HTF user taxes and fees to ensure costs are fairly allocated to different classes of system users;
- Ensure more beneficiaries of the HTF pay into it by, for example, reinstating the diesel tax for passenger trains, eliminating reduced user fees on fuel intercity and local buses, and levying a modest user fee on bicycle tires; and
- Support electric vehicle ownership while ensuring that their drivers contribute to the HTF.

Given rising electric vehicle ownership, its impact on HTF revenues, and concerns about our changing climate, harmonizing support for electric vehicle ownership with a system of dedicated highway spending that is dependent on a user-paid gas tax is among the most critical challenges to strengthening the user-pay, user-benefit model. We believe there is bipartisan appetite for policies that improve the electric vehicle tax credit’s targeting and effectiveness, stimulate more market demand, get the most fuel-inefficient vehicles off our roads, and find a way to ensure the drivers of electric and hybrid vehicles contribute to the HTF.

While federal income tax credits have resulted in a 29% increase in electric vehicle sales, research has shown that 70% of the credits were obtained by households—typically with higher incomes—that would have bought an EV without the credits.³ Therefore, reform should entail:

- Limiting the tax credit for electric vehicle purchases to low- and middle-class taxpayers;
- Expanding the credit with any projected savings from limiting credit eligibility; and
- Enacting either a modest national fee on electric vehicle purchases or an electric vehicle battery tax to ensure these drivers are contributing revenue to the HTF, which supports the continued upkeep and modernization of our nation’s critical transportation systems.

**Prepare for the transition to user fee based on vehicle miles traveled.**

With rising ownership of electric and more fuel-efficient vehicles, transitioning from gas taxes to a user charge based on miles traveled for all vehicles will be fundamental to sustaining the user-pay, user-

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² For context, from its highest point since 2019 to its lowest, the retail price a gallon of gas has fluctuated by $1.13, according to the U.S. Energy Information Administration: [https://www.eia.gov/petroleum/gasdiesel/](https://www.eia.gov/petroleum/gasdiesel/).
benefit system. The Federal Highway Administration’s Surface Transportation System Funding Alternatives (STSFA) has already begun administering $95 million in competitive grants to test new ways to finance highway and bridge projects. With support from STSFA grants, a few state-led pilots have been able to begin experimenting with such a replacement. The upcoming surface transportation reauthorization should dramatically expand the STSFA grant program and mandate that each state DOT develops and begins testing a plan to implement a VMT user fee. State DOTs should be required to employ the best practices derived from existing pilots, relying on extensive public outreach, the use of separate and non-governmental vendors, and a variety of data reporting options for drivers with strict privacy policies. The committee should further consider options to launch a nationwide VMT pilot.

**Restore congressionally directed spending with safeguards.**

Clear communication with the public about the benefits of adequate funding is key for public support behind raising revenue to repair, replace, and upgrade infrastructure. To that end, restoring congressionally directed spending in a more effective, transparent, and accountable system would help to increase the ability of members in Congress to take on tough issues that are critical to the national interest, like increasing the gas tax. By affording members of Congress the opportunity to secure funding for the highest priority transportation needs in their districts or states, congressionally directed spending would make lawmakers more invested in the process, engage them in the hard work of governing a polarized and divided country, and give them a tangible benefit to show to constituents who are asked to pay more.

Once again, thank you for your leadership in addressing the challenges our nation faces. We are grateful for the opportunity to provide our input on bipartisan policies to fund our highways and transit systems. We look forward to working together.

Sincerely,

Michele Nellenbach  
Vice President of Strategic Initiatives  
Bipartisan Policy Center

Andy Winkler  
Associate Director  
Bipartisan Policy Center

CC: Members of the U.S. Senate Committee on Environment and Public Works