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ATTACHMENT B

BILL: H.R. 3636

AUTHOR: U.S. REPRESENTATIVE EARL BLUMENAUER (OREGON - 3)

SUBJECT: UPDATE ACT

STATUS: HOUSE COMMITTEE ON WAYS AND MEANS

POSITION: SUPPORT

RECOMMENDATION

Staff recommends that the Board adopt a SUPPORT position on H.R. 3636 which would phase in a 15-cent increase in the federal gas tax over the next three years, index the gas tax to the rate of inflation and seek to replace the federal gas tax with a more stable alternative by 2024.

ISSUE

The federal government's Highway Trust Fund is facing solvency issues and is increasingly reliant on general fund transfers from the U.S. Treasury. According to the Congressional Budget Office, the "trust fund will have insufficient resources to meet all of its obligations, resulting in steadily accumulating shortfalls." According to the Institute on Taxation and Economic Policy, the purchasing power of the federal gas tax has plummeted by nearly 30% since 1997.

DISCUSSION

As the second session of the 113th Congress convenes this month, members of both the House and Senate committees with jurisdiction over transportation issues will be seeking to favorably resolve the financial crisis facing the federal Highway Trust Fund. A number of remedies have been suggested already, ranging from the potential solution provided for in H.R. 3636, to other fixes. Among the other remedies being mentioned on Capitol Hill is a proposal to eliminate the federal gas-tax and put in its place a sales tax on gasoline. Other remedies include a proposal to dramatically reduce the federal-gas tax and devolve the federal transportation program back to the states.

The proposal to increase the federal gas-tax and index the tax to inflation is among the more practical solutions to addressing the deficit facing the Highway Trust Fund. Proposals to devolve the federal transportation program back to the states or eliminate

the federal gas-tax and replace it with a sales tax on gas are likely to face enormous obstacles, both political in nature and also with respect to implementing a new financial architecture for how our nation finances highway and transit projects. H.R. 3636 would offer an easily implementable remedy that was used most recently in the early 1980s and 1990s, which is to increase the amount of tax collected per-gallon of gasoline sold to consumers. With an appreciation that gasoline consumption will remain either level or actually decline in coming years, the bill outlines a goal of repealing the federal gas tax and replacing it with a more stable source of funding by the year 2024.

The idea of increasing the federal gas tax by 15-cents has been made previously by a Presidential commission established in 2010 by President Obama: The National Commission on Fiscal Responsibility and Reform often called Simpson-Bowles Commission.

DETERMINATION OF SAFETY IMPACT

Staff has reviewed this proposal and has determined that the legislation will not have an impact on safety.

FINANCIAL IMPACT

Staff has determined this bill will positively impact our agency. It has the potential to restore the solvency of the Highway Trust Fund. The Congressional Budget Office projects the current taxes dedicated to the Highway Trust Fund, matched with obligations increasing at the rate of inflation, will lead to cumulative shortfalls of \$92 billion for the Highway Account and \$34 billion for the Mass Transit Account by 2023. Enactment of this bill into law is projected to raise \$170 billion over the same period. It would provide a dedicated and reliable source of federal funding for highway and transit projects for the next decade.

ALTERNATIVES CONSIDERED

Staff has considered a number of alternatives with respect to fully address the solvency issues facing the Highway Trust Fund. Among the options are to devolve the responsibilities for federal transportation system back to the states, or to switch to a sales tax on gasoline. While both of these options deserve serious consideration, it is the opinion of staff that the most practical and reasonable option is to increase the federal gas tax by 15 cents and further, to index the gas tax to inflation.

NEXT STEPS

Should the Board decide to support H.R. 3636, staff will prepare a support letter for the bill and work with U.S. Representative Earl Blumenauer to secure additional co-sponsors for the resolution. Staff will seek the inclusion of H.R. 3636 in the finance-related legislation crafted to fund the next surface transportation authorization bill.