



# Committee On Finance

Max Baucus, Chairman

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## STATEMENT BY CHAIRMAN MAX BAUCUS SENATE FINANCE COMMITTEE HEARING ON THE HIGHWAY TRUST FUND

Today, the Finance Committee is holding a hearing that is a little unusual. I say unusual because this Committee, while it has vast jurisdiction over the Highway Trust Fund, has never fully “flexed its jurisdictional muscles” so to speak. Today is the first ever Finance Committee hearing on the Highway Trust Fund.

Finance Committee jurisdiction goes beyond the Highway Trust Fund. Given Finance Committee oversight of all the transportation trust funds, it is incumbent upon this Committee to examine those trust funds and do our best to grow them to meet our nation’s transportation needs. As we approach the reauthorization of both TEA 21 and AIR 21, the Finance Committee will examine the taxes, the revenues and the balance projections that will be the basis for both the Federal Highway and Aviation Programs over the next several years.

Before I get into the nuts and bolts of the hearing, let me first say how pleased I am to see that my good friend and the Ranking Member of this Committee, Senator Grassley is interested in transportation issues and playing a role as we reauthorize TEA 21. Iowa, like Montana is very rural and has a lot of highways. Our states have needs that are different from other areas of the country. I look forward to working together with Senator Grassley on TEA 21 reauthorization. I’d also like to thank Senator Jeffords for his interest in today’s hearing and transportation issues. Senator Jeffords is the Chairman of the Environment and Public Works Committee.

I have served on that Committee for 20 years. I had the good fortune of working on both ISTEA and TEA 21. Those two highway bills helped create jobs in Montana. Skilled and unskilled jobs in highway construction are well-paid. These jobs provide employment opportunities for workers who have lost manufacturing jobs, with minimal training requirements. I plan to create more jobs for Montanans under the next highway bill. I look forward to working under Senator Jeffords leadership as we reauthorize TEA 21. I also look forward to a joint hearing that Senator Jeffords and I have discussed between EPW and Finance on the subject of innovative financing for highways.

As I just mentioned, the Finance Committee has oversight for all of the Transportation Trust Funds. Our Jurisdiction falls within three areas: (1) Authorize the taxes that makeup the balance of the trust funds; (2) Extend taxes payable to the trust funds; and (3) Determine the purposes for which money can be spent from the trust funds. No money can be spent from any of the trust funds without action from the Senate Finance Committee. That is to say, no money can be spent from the trust funds on any purpose not authorized by this committee and included in the internal revenue code. Those three items represent a lot of responsibility for the Finance Committee.

In light of that responsibility, today, we begin what will be a series of transportation-related hearings. We start with a subject that is crucial to my state of Montana and one that I have always cared about and have been very involved with: the Highway Trust Fund. This hearing will provide Members an opportunity to review the flow of taxes to the Highway Trust Fund and the transportation and tax policies used to determine the overall vigor of the Highway Trust Fund.

The purpose of today's hearing is to address three issues:

First, how Highway Trust Fund projections are done and how to facilitate more timely information, minimize the margin of error in Department of Treasury projections and improve IRS Tax estimates.

Second, to determine the size of the highway program that the Highway Trust Fund can accommodate over the next several years, under the current tax environment.

Third, to determine how the collection of taxes for the Highway Trust Fund could be enhanced to accommodate a bigger highway program.

When I talk about enhancing the Trust Fund, I mean growing it. More money. I will be introducing a reauthorization proposal that grows the Highway Trust Fund in three ways.

First, there is 2.5 cents that goes into the general fund from the sale of gasohol. I introduced a bill, S. 1306, that transfers that 2.5 cents to the Highway Trust Fund. I am happy to report that S. 1306, also known as the Highway Trust Fund Recovery Act, was included in the Energy Policy Act of 2002, as passed by the Senate. I am hopeful that will become law by the time I introduce my reauthorization bill.

The second provision in my proposal involves the ethanol subsidy and funds lost to the Highway Trust Fund. Currently, the Highway Trust Fund subsidizes ethanol. Now, I am an ethanol supporter. Ensuring necessary and affordable energy supplies, including ethanol-blended motor fuels and other initiatives, is important to the quality of life and economic prosperity of all Americans. Policies to achieve these objectives, however, should not come at the expense of transportation infrastructure improvements.

I believe that since its good general policy to encourage an ethanol subsidy, it should be the general fund that bears the effect of that subsidy--not the Highway Trust Fund. Therefore, in my reauthorization proposal, I plan to include a general fund transfer for the 5.3 cents lost to the Highway Trust Fund from the ethanol subsidy. Just to be clear. The subsidy stays in place, but there is equity created between the general fund and the Highway Trust Fund. By directing both the 2.5 cents and 5.3 cents to the Highway Trust Fund, we can begin to alleviate a growing problem for many states --lower Trust Fund contributions and therefore lower highway apportionments.

The third provision I will include in my bill will be recouping the interest from the balance in the Trust Fund. Prior to TEA 21 interest on the Trust Fund was included in the balance. We need that interest back.

These three provisions will ensure that much needed highway improvements are made throughout the country. Specifically, it means more jobs for Montanans and others throughout the country. It is, in short, the right thing to do.

Our witnesses will discuss the effects of these three provisions on the Trust Fund, as part of their commentary today. First, we will hear from Dr. Andrew Lyon from the U.S. Department of Treasury. Our second witness is Ms. JayEtta Hecker from the General Accounting Office (GAO). Last, but not least, we will have Mr. Kim Cawley from the Congressional Budget Office (CBO).