

National Surface Transportation Policy and Revenue Study Commission

Commissioners:

Mary Peters, Chair
Secretary
U.S. Department of Transportation

Jack Schenendorf, Vice Chair
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Covington and Burling, LLP

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Secretary
Wisconsin Department of Transportation

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Tom Skancke
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*"Create and sustain the
preeminent surface
transportation system
in the world."*

Susan J. Binder
Executive Director
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August 9, 2007

The Honorable Max Baucus
Chairman
Committee on Finance
U.S. Senate
Washington, DC 20510

The Honorable Charles E. Grassley
Ranking Member
Committee on Finance
U.S. Senate
Washington, DC 20510

The Honorable Barbara Boxer
Chairwoman
Committee on Environment and Public Works
U.S. Senate
Washington, DC 20510

The Honorable James M. Inhofe
Ranking Member
Committee on Environment and Public Works
U.S. Senate
Washington, DC 20510

Dear Senators Baucus, Grassley, Boxer, and Inhofe:

In the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, Public Law 109-59 (SAFETEA-LU), Congress established The National Surface Transportation Policy and Revenue Study Commission. In doing so, you charged us with the development of a conceptual plan to ensure that the surface transportation system will continue to serve the short-term and long-term needs of the United States over the next fifty years and beyond and to report to the Congress on our efforts. While the focus of the Commission's efforts are for the long term, we are concerned that there is an imminent crisis in funding for critical highway and highway safety programs that needs your attention and action.

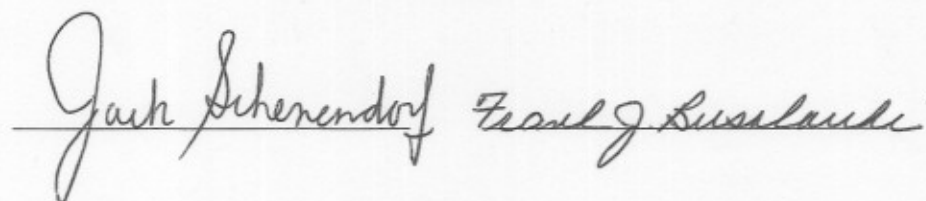
The latest projections by the Administration indicate that the Highway Account of the Highway Trust Fund will experience a cash shortfall in fiscal year (FY) 2009 of approximately \$4 billion and be unable to meet the commitments made to fund highway and highway safety needs throughout the Nation. We urge you to initiate legislative action beginning in FY 2008 to shore up the Highway Account to keep it solvent and prevent the nation from falling short of the highway investment levels guaranteed by SAFETEA-LU. We feel the risks associated with the disruption to the transportation system and the economy are too great to defer action until the following year, even though we would then have more confidence as to the specific magnitude of the shortfall.

During the course of our hearings and business meetings, we have been presented with many possibilities for quickly increasing the flow of funds to the highway account and we offer them for your consideration. These include:

- Ensuring that the Highway Trust Fund receives the full amount of the taxes levied on highway use by shifting the cost of exemptions from and refunds of taxes for certain highway users to the General Fund of the Treasury.
- Retroactively reinstating the crediting of interest on the invested balances of the Highway Trust Fund. The crediting of interest ceased after FY 1999 pursuant to section 9004(A) of TEA-21.
- Restoring to the Highway Account all or part of the approximately \$8 billion that was transferred from that Account to the General Fund as a result of section 9004(a) of the Transportation Equity Act for the 21st Century (TEA-21, P.L.105-178)
- Crediting the proceeds of the "gas guzzler" tax under section 4064 of the Internal Revenue Code to the Highway Account.
- Dedicating a portion of the revenue generated from transportation-related taxes, such as customs fees, to the Highway Account of the Highway Trust Fund.

We, the following undersigned members of the Commission, urge you to take timely action that could be put into place in FY 2008 and look forward to sharing our report with you when we complete our work by the end of this year.

Sincerely yours,

Handwritten signatures of Jack Schenendorf and Paul J. Suslaudi.

R. F. Orr

[Signature]

Thomas X McHale

[Signature]

[Signature]

[Signature]

Tom Blanche

Paul M. Weyrich

cc:

The Honorable Robert C. Byrd
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

The Honorable Thad Cochran
Ranking Member
Committee on Appropriations
United States Senate
Washington, DC 20510