

November 14, 2017

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Charles Schumer
Minority Leader
United States Senate
Washington, DC 20510

The Honorable Orrin G. Hatch
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

Subject: Tax Cuts and Jobs Act

The American Association of State Highway and Transportation Officials (AASHTO) write to express our serious concerns regarding provisions of the “Tax Cuts and Jobs Act” legislation being marked up in the Senate Committee on Finance. AASHTO is a nonprofit, nonpartisan association representing the state transportation departments (state DOTs) in the 50 states, the District of Columbia, and Puerto Rico. We represent our member departments with respect to all transportation modes. Our primary goal is to foster the development, operation, and maintenance of an integrated national transportation system.

As the most significant tax reform effort in 31 years, this is the prime opportunity to address the looming solvency crisis facing the federal Highway Trust Fund (HTF), which provides much needed transportation investments across the country. Just as with the House tax reform bill—H.R. 1—we are extremely disappointed that it appears, once again, that Congress will not address this funding crisis.

We believe Congress must provide a long-term, sustainable revenue solution facing the HTF given that our national transportation investment backlog continues to grow, now standing at \$836 billion for highways and bridges and \$122 billion for transit according to the US Department of Transportation. Despite this infrastructure deficit, the HTF is currently on a trajectory to cut federal highway funding by 40 percent in 2021 and zero out federal transit funding completely from 2021 to 2023. Addressing the HTF funding crisis is AASHTO’s highest priority in any tax reform legislation, and we view it as a missed opportunity to leave this out of the current Senate tax reform measure.

In addition, while the Senate’s “Tax Cuts and Jobs Act” does not include a separate infrastructure proposal, it is important that any tax reform vehicle provides the fiscal space necessary to fund much needed transportation improvements. We need to be honest with the American people: failure to find the revenue for an infrastructure initiative now, as part of tax reform, will make passage of such a package nearly impossible in the future. Failure to set aside funding for an infrastructure package will adversely impact the likelihood of Congress to successfully enact this much-needed boost for our economy and quality of life.

Federal funding for transportation infrastructure is vital to every state in the country, but financing tools that leverage dollars and accelerate project delivery are important as well. AASHTO is grateful that the Senate’s “Tax Cuts and Jobs Act” does not eliminate the use of municipal tax-exempt debt, the use of tax-exempt private activity bonds or the availability of tax credit bonds. Each of these mechanisms is a foundational element of public infrastructure financing in this country.

AASHTO does have serious concerns that the Senate’s “Tax Cuts and Jobs Act” legislation makes a significant change to an important federally-supported financing tool used for transportation projects: advance refunding of governmental bonds. The ability to utilize advance refunding helps communities and states to achieve savings on debt service—which can be substantial in the current low-interest rate environment—that can be reinvested in other transportation and infrastructure projects. The Senate’s “Tax Cuts and Jobs Act” legislation does not currently include any transition rules for this repeal, and therefore the proposed prohibition would prevent any tax-exempt advance refunding of outstanding bonds outside of the 90 day window.

In closing, we reiterate the need to address the nation’s transportation investment crisis through tax reform, and we ask you to carefully reconsider taking steps that impede the ability to do so. Thank you for the opportunity to provide the perspective of the nation’s state departments of transportation. If you would like to further discuss, please contact Joung Lee, AASHTO’s Policy Director, at 202-624-5818 or jlee@ashto.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Bud Wright". The signature is fluid and cursive, with the first name "Bud" and last name "Wright" clearly distinguishable.

Bud Wright
Executive Director
American Association of State Highway and Transportation Officials