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Hatch Statement at Finance Committee Hearing on Funding Highways and Transit

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following opening statement at a committee hearing examining funding options for highways and transit:

Thank you Mr. Chairman for holding this hearing. I also want to thank the Chair of the Senate Committee on Environment and Public Works, Senator Boxer, for joining us today.

I think we can all agree that a long-term surface transportation reauthorization is an important goal, most notably because it will allow states to plan for the long-term when it comes to funding infrastructure projects. However, the old admonition that there is no such thing as a free lunch still holds, which is why this hearing is so important.

According to current estimates, the Highway Trust Fund will be unable to meet obligations sometime this summer. This is the result of what is becoming a long-standing problem when outlays from the trust fund are greater than the receipts from the dedicated federal excise taxes.

When it comes to paying for all or some of the highway bill, a number of ideas have been floated, some good, some bad. One of the ideas I've heard most often is the proposal to raise the revenues by taxing overseas earnings of U.S. global corporations. This idea – sometimes referred to as the repatriation proposal – is, in my view, not a good one.

As we all know, under current law, the U.S. defers taxes on earnings companies make overseas until the money is brought back into the country. And, because the U.S. has the highest corporate tax rate in the developed world, many companies prefer to keep money offshore for long periods of time.

Some have suggested that we change the rules of international taxation in order to immediately subject these funds to U.S. taxes so that we can use the revenue to, among other things, shore up the Highway Trust Fund.

Make no mistake, I believe we should have a robust discussion as to how our tax system should deal with overseas earnings. However, given the economic implications of any changes to this system, that discussion should take place in the context of a broader debate about tax reform, not as part of an ad hoc effort to pay for a highway bill.

I hope that today's discussion does not simply devolve into a debate about the wisdom of the repatriation proposal.

That said, we do face a near-term problem in that reimbursements to states will likely be impacted if the trust fund is not shored up in the very near future. Neither the Chairman nor I wants to see a slow-down in payments.

Let's keep in mind that, however we deal with the immediate shortfall in the Highway Trust Fund, the long-term funding problem will still loom before us.

I am more than willing to have a discussion about long-term financing options such as bond proposals and public-private partnerships, but we must remember that, in this Committee, we are dealing with a funding problem more than a financing problem with a system that was created based on a user-pays model, where certain federal excise taxes, such as the gas tax, were intended to serve as proxies for use of certain resources, such as the federal highway system.

Personally, I would like to preserve the user-pays system and prevent our federal infrastructure programs from becoming another tax extender, dependent every year or two on an infusion of cash from the general fund of the Treasury.

In addition, while it is wholly appropriate and necessary for us to thoroughly examine the revenue side of the funding equation, we should also have a complete examination of the spending side.

Since its inception in the 1950s, the Highway Trust Fund has been called upon to fund an increasingly broad scope of activities, such as bike paths and other so-called "enhancements." Additionally, there are many requirements and regulations that increase the costs of federal highway projects. So, if we're going to talk about revenues, we should talk about reforms that will address costs and outlays as well.

Mr. Chairman, I look forward to working with you to examine the short- and long-term issues we face when dealing with this important part of our infrastructure. I look forward to working with our other colleagues as well and to a robust discussion of all of these issues during today's hearing.

Thank you, once again, Mr. Chairman.

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