



FOR IMMEDIATE RELEASE
May 17, 2011

CONTACT: [Julia Lawless](#), [Antonia Ferrier](#)
(202) 224-4515

HATCH STATEMENT AT FINANCE COMMITTEE HEARING EXAMINING THE FEDERAL ROLE IN INFRASTRUCTURE FINANCING

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 the federal role in infrastructure financing:

I would like to begin today with a quote attributed to one of America's greatest and most pragmatic statesmen.

Franklin warned, *[w]hen the people find that they can vote themselves money, that will herald the end of the republic. Sell not liberty to purchase power.*

This sentiment seems applicable to a variety of policies being considered by this Congress. Today, it illuminates this committee's examination of the federal role in infrastructure financing.

This Committee's role in infrastructure financing is most apparent in the maintenance of various trust funds. If the Highway Trust Fund is not the greatest of these funds, it is certainly the most troubled, and that particular trust fund is the main subject of this hearing. According to the Congressional Budget Office, this trust fund's highway account will be underfunded by around \$104 billion in 2021 if current trends persist. Under current law the trust fund is not actually able to incur negative balances, but the CBO estimate shows that the demands on the fund far outstrip its resources. The current solvency of the trust fund is an illusion created by gimmicky general fund transfers over the past few years.

The last long-term surface transportation reauthorization, the tortuously named SAFETEA-LU, expired in 2009, and keeping with recent tradition, Congress has enacted a series of short-term extensions. The most recent extension expires this September. What these extensions have done and continue to do is mask an enormous yet simple problem. There is no such thing as a free lunch. To most people, this is a cliché, but it evidently has not been said enough to sink in with those who want to finance infrastructure projects in excess of our ability to pay for them.

Already this year I've heard from colleagues eager for federally funded infrastructure spending to continue unabated. One colleague, speaking in another committee, extolled the virtues of more investment in infrastructure. She closed her remarks with the following. *I am grateful to my colleagues on both sides of the aisle for their interest in moving forward together on a transportation bill that invests in our transportation system to help ensure it will meet America's needs in the coming years.*

We hear this sentiment from the President all the time. We need to invest in America.

Well of course we do.

But that is not the issue. The first issue is who, in a constitutional system of enumerated powers, is going to pay for it. Will the states pay for it, or will the federal government.

The second issue is how are we going to pay for it. If the federal government takes on significant infrastructure responsibilities, how are we going to pay for it?

And believe me, if the President gets his way, we are going to pay for it.

There is a lot of rebranding going on over on the left.

What used to be called *raising taxes* is now called *shared sacrifice*.

And what used to be called *government spending* has now been dubbed *investments*.

Apparently some strategist figured out that to the American people higher spending and higher taxes are equivalent to dirty words.

So there is an effort to spin this Carter-era message of tax-and-spend in a way that will be more palatable to the American people.

I know that Utahns are not going to buy it, and I don't think many Americans will.

For them the issue remains, how are we going to pay for all of these investments?

It is not at all clear where this spending will come from. Traditionally, the spending has come from the trust funds, which are maintained by the Finance Committee. Some seem to view this Committee as a no-limit credit card, and they view the balances they run up here as somebody else's problem.

Our current circumstances make it impossible to continue that approach. The voters have made it clear that it is time to think twice about giving federal policy makers an unlimited credit line.

That is why this hearing is so important. The negative signs are obvious, and the Highway Trust Fund's projected end of year balances are telling us that our current approach to highway financing does not work. Now is the time to thoroughly examine the federal government's role in promoting infrastructure improvements.

The financing of these projects has deteriorated to the point that I'm not sure most Americans, and even their elected representatives, know what they're actually paying for. Around 89 percent of the Highway Trust Fund's revenues come from excise taxes, and most of that is the 18.3 cents per gallon federal gas tax. But I wonder if people, as they watch the numbers spinning around and around on the gas pump, realize that around 14 percent of Highway Trust Fund revenues go to the mass transit account. So when we say that by paying federal gas taxes taxpayers are paying for the roads they drive on, that might be only 86 percent true.

And even 86 percent might be too high. A Government Accountability Office report from 2004 titled *Trends, Effect on State Spending, and Options for Future Program Design*, found in part that "increased federal highway grants influence states and localities to substitute federal funds for funds they would otherwise have spent on highways." In other words, an additional dollar of federal money may not, overall, buy an additional dollar's worth of infrastructure. It might just shift the burden of paying for it from states and localities to the federal government.

From this hearing I hope we get a clearer picture of what the appropriate federal role in infrastructure financing ought to be, and how we can make that happen. What is certain is that continuing the flawed policies of the past will not work. We need to look beyond simply putting more money into a leaky and broken down highway trust fund, or hiding the rusted out shell of the trust fund among other financing vehicles that appear to be in better shape. I hope today's witnesses can help us determine if our current policies need merely a tune-up or a complete engine rebuild.

Taxpayers need to know if Washington can continue with business as usual, or if fundamental reform of highway financing is in order.

###