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113TH CONGRESS
1ST SESSION

S. 1702

To empower States with authority for most taxing and spending for highway programs and mass transit programs, and for other purposes.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 14, 2013

Mr. LEE (for himself, Mr. RUBIO, and Mr. CRUZ) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To empower States with authority for most taxing and spending for highway programs and mass transit programs, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Transportation Empowerment Act''.

SEC. 2. FINDINGS AND PURPOSES.

(a) FINDINGS.—Congress finds that—

(1) the objective of the Federal highway program has been to facilitate the construction of a

modern freeway system that promotes efficient interstate commerce by connecting all States;

(2) the objective described in paragraph (1) has been attained, and the Interstate System connecting all States is near completion;

(3) each State has the responsibility of providing an efficient transportation network for the residents of the State;

(4) each State has the means to build and operate a network of transportation systems, including highways, that best serves the needs of the State;

(5) each State is best capable of determining the needs of the State and acting on those needs;

(6) the Federal role in highway transportation has, over time, usurped the role of the States by taxing motor fuels used in the States and then distributing the proceeds to the States based on the perceptions of the Federal Government on what is best for the States;

(7) the Federal Government has used the Federal motor fuels tax revenues to force all States to take actions that are not necessarily appropriate for individual States;

(8) the Federal distribution, review, and enforcement process wastes billions of dollars on unproductive activities;

(9) Federal mandates that apply uniformly to all 50 States, regardless of the different circumstances of the States, cause the States to waste billions of hard-earned tax dollars on projects, programs, and activities that the States would not otherwise undertake; and

(10) Congress has expressed a strong interest in reducing the role of the Federal Government by allowing each State to manage its own affairs.

(b) PURPOSES.—The purposes of this Act are—

(1) to return to the individual States maximum discretionary authority and fiscal responsibility for all elements of the national surface transportation systems that are not within the direct purview of the Federal Government;

(2) to preserve Federal responsibility for the Dwight D. Eisenhower National System of Interstate and Defense Highways;

(3) to preserve the responsibility of the Department of Transportation for—

(A) design, construction, and preservation of transportation facilities on Federal public land;

(B) national programs of transportation research and development and transportation safety; and

(C) emergency assistance to the States in response to natural disasters;

(4) to eliminate to the maximum extent practicable Federal obstacles to the ability of each State to apply innovative solutions to the financing, design, construction, operation, and preservation of Federal and State transportation facilities; and

(5) with respect to transportation activities carried out by States, local governments, and the private sector, to encourage—

(A) competition among States, local governments, and the private sector; and

(B) innovation, energy efficiency, private sector participation, and productivity.

SEC. 3. FUNDING LIMITATION.

Notwithstanding any other provision of law, if the Secretary of Transportation determines for any of fiscal years 2015 through 2019 that the aggregate amount required to carry out transportation programs and projects

under this Act and amendments made by this Act exceeds the estimated aggregate amount in the Highway Trust Fund available for those programs and projects for the fiscal year, each amount made available for that program or project shall be reduced by the pro rata percentage required to reduce the aggregate amount required to carry out those programs and projects to an amount equal to that available for those programs and projects in the Highway Trust Fund for the fiscal year.

SEC. 4. FUNDING FOR CORE HIGHWAY PROGRAMS.

(a) IN GENERAL.—

(1) AUTHORIZATION OF APPROPRIATIONS.—The following sums are authorized to be appropriated out of the Highway Trust Fund (other than the Mass Transit Account):

(A) FEDERAL-AID HIGHWAY PROGRAM.—For the national highway performance program under section 119 of title 23, United States Code, the surface transportation program under section 133 of that title, the metropolitan transportation planning program under section 134 of that title, the highway safety improvement program under section 148 of that title, and the congestion mitigation and air quality improvement program under section 149 of that title—

(i) $37,592,576,000 for fiscal year 2015;

(ii) $19,720,696,000 for fiscal year 2016;

(iii) $13,147,130,000 for fiscal year 2017;

(iv) $10,271,196,000 for fiscal year 2018; and

(v) $7,600,685,000 for fiscal year 2019.

(B) EMERGENCY RELIEF.—For emergency relief under section 125 of title 23, United States Code, $100,000,000 for each of fiscal years 2015 through 2019.

(C) FEDERAL LANDS PROGRAMS.—

(i) FEDERAL LANDS TRANSPORTATION PROGRAM.—For the Federal lands transportation program under section 203 of title 23, United States Code, $300,000,000 for each of fiscal years 2015 through 2019, of which $240,000,000 of the amount made available for each fiscal year shall be the amount for the National Park Service and $30,000,000 of the amount made available for each fiscal year

shall be the amount for the United States Fish and Wildlife Service.

(ii) FEDERAL LANDS ACCESS PROGRAM.—For the Federal lands access program under section 204 of title 23, United States Code, $250,000,000 for each of fiscal years 2015 through 2019.

(D) ADMINISTRATIVE EXPENSES.—Section 104(a) of title 23, United States Code, is amended by striking paragraph (1) and inserting the following:

''(1) IN GENERAL.—There are authorized to be appropriated from the Highway Trust Fund (other than the Mass Transit Account) to be made available to the Secretary for administrative expenses of the Federal Highway Administration—

''(A) $437,600,000 for fiscal year 2015;

''(B) $229,565,000 for fiscal year 2016;

''(C) $153,043,000 for fiscal year 2017;

''(D) $119,565,000 for fiscal year 2018; and

''(E) $88,478,000 for fiscal year 2019.''.

(2) TRANSFERABILITY OF FUNDS.—Section 104 of title 23, United States Code, is amended by striking subsection (f) and inserting the following:

"(f) TRANSFERABILITY OF FUNDS.—

"(1) IN GENERAL.—To the extent that a State determines that funds made available under this title to the State for a purpose are in excess of the needs of the State for that purpose, the State may transfer the excess funds to, and use the excess funds for, any surface transportation (including mass transit and rail) purpose in the State.

"(2) ENFORCEMENT.—If the Secretary determines that a State has transferred funds under paragraph (1) to a purpose that is not a surface transportation purpose as described in paragraph (1), the amount of the improperly transferred funds shall be deducted from any amount the State would otherwise receive from the Highway Trust Fund for the fiscal year that begins after the date of the determination.".

(3) FEDERAL-AID SYSTEM.—

(A) IN GENERAL.—Section 103(a) of title 23, United States Code, is amended by striking "the National Highway System, which includes".

(B) CONFORMING AMENDMENTS.—Chapter 1 of title 23, United States Code, is amended—

(i) in section 103 by striking the section designation and heading and inserting the following:

"§ 103. Federal-aid system";

and

(ii) in the analysis by striking the item relating to section 103 and inserting the following:

"103. Federal-aid system.".

(4) CALCULATION OF STATE AMOUNTS.—Section 104(c)(2) of title 23, United States Code, is amended—

(A) in the paragraph heading by striking "FOR FISCAL YEAR 2014" and inserting "SUBSEQUENT FISCAL YEARS"; and

(B) in subparagraph (A) by striking "fiscal year 2014" and inserting "fiscal year 2014 and each subsequent fiscal year".

(5) NATIONAL BRIDGE AND TUNNEL INVENTORY AND INSPECTION STANDARDS.—

(A) IN GENERAL.—Section 144 of title 23, United States Code, is amended—

(i) in subsection (e)(1) by inserting "on the Federal-aid system" after "any bridge"; and

(ii) in subsection (f)(1) by inserting "on the Federal-aid system" after "construct any bridge".

(B) REPEAL OF HISTORIC BRIDGES PROVISIONS.—Section 144(g) of title 23, United States Code, is repealed.

(6) REPEAL OF TRANSPORTATION ALTERNATIVES PROGRAM.—The following provisions are repealed:

(A) Section 213 of title 23, United States Code.

(B) The item relating to section 213 in the analysis for chapter 1 of title 23, United States Code.

(7) NATIONAL DEFENSE HIGHWAYS.—Section 311 of title 23, United States Code, is amended—

(A) in the first sentence, by striking "under subsection (a) of section 104 of this title" and inserting "to carry out this section"; and

(B) by striking the second sentence.

(8) FEDERALIZATION AND DEFEDERALIZATION OF PROJECTS.—Notwithstanding any other provision of law, beginning on October 1, 2014—

(A) a highway construction or improvement project shall not be considered to be a Federal highway construction or improvement project unless and until a State expends Federal funds for the construction portion of the project;

(B) a highway construction or improvement project shall not be considered to be a Federal highway construction or improvement project solely by reason of the expenditure of Federal funds by a State before the construction phase of the project to pay expenses relating to the project, including for any environmental document or design work required for the project; and

(C)(i) a State may, after having used Federal funds to pay all or a portion of the costs of a highway construction or improvement project, reimburse the Federal Government in an amount equal to the amount of Federal funds so expended; and

(ii) after completion of a reimbursement described in clause (i), a highway construction or improvement project described in that clause

shall no longer be considered to be a Federal highway construction or improvement project.

(9) REPORTING REQUIREMENTS.—No reporting requirement, other than a reporting requirement in effect as of the date of enactment of this Act, shall apply on or after October 1, 2014, to the use of Federal funds for highway projects by a public-private partnership.

(b) EXPENDITURES FROM HIGHWAY TRUST FUND.—

(1) EXPENDITURES FOR CORE PROGRAMS.—Section 9503(c) of the Internal Revenue Code of 1986 is amended—

(A) in paragraph (1)—

(i) by striking ''October 1, 2014'' and inserting ''October 1, 2020''; and

(ii) by striking ''MAP–21'' and inserting ''Transportation Empowerment Act'';

(B) in paragraphs (3)(A)(i), (4)(A), and (5), by striking ''October 1, 2016'' each place it appears and inserting ''October 1, 2022''; and

(C) in paragraph (2), by striking ''July 1, 2017'' and inserting ''July 1, 2023''.

(2) AMOUNTS AVAILABLE FOR CORE PROGRAM EXPENDITURES.—Section 9503 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

"(g) CORE PROGRAMS FINANCING RATE.—For purposes of this section—

"(1) IN GENERAL.—Except as provided in paragraph (2)—

"(A) in the case of gasoline and special motor fuels the tax rate of which is the rate specified in section 4081(a)(2)(A)(i), the core programs financing rate is—

"(i) after September 30, 2014, and before October 1, 2015, 18.3 cents per gallon,

"(ii) after September 30, 2015, and before October 1, 2016, 9.6 cents per gallon,

"(iii) after September 30, 2016, and before October 1, 2017, 6.4 cents per gallon,

"(iv) after September 30, 2017, and before October 1, 2018, 5.0 cents per gallon, and

"(v) after September 30, 2018, 3.7 cents per gallon, and

"(B) in the case of kerosene, diesel fuel, and special motor fuels the tax rate of which is the rate specified in section 4081(a)(2)(A)(iii), the core programs financing rate is—

"(i) after September 30, 2014, and before October 1, 2015, 24.3 cents per gallon,

"(ii) after September 30, 2015, and before October 1, 2016, 12.7 cents per gallon,

"(iii) after September 30, 2016, and before October 1, 2017, 8.5 cents per gallon,

"(iv) after September 30, 2017, and before October 1, 2018, 6.6 cents per gallon, and

"(v) after September 30, 2018, 5.0 cents per gallon.

"(2) APPLICATION OF RATE.—In the case of fuels used as described in paragraphs (3)(C), (4)(B), and (5) of subsection (c), the core programs financing rate is zero.".

(c) TERMINATION OF MASS TRANSIT ACCOUNT.—Section 9503(e)(2) of the Internal Revenue Code of 1986 is amended—

(1) in the first sentence, by inserting ", and before October 1, 2014" after "March 31, 1983"; and

(2) by adding at the end the following:

"(6) TRANSFER TO HIGHWAY ACCOUNT.—On October 1, 2014, the Secretary shall transfer all amounts in the Mass Transit Account to the Highway Account.".

(d) EFFECTIVE DATE.—The amendments and repeals made by this section take effect on October 1, 2014.

SEC. 5. FUNDING FOR HIGHWAY RESEARCH AND DEVELOPMENT PROGRAM.

(a) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated out of the Highway Trust Fund (other than the Mass Transit Account) to carry out section 503(b) of title 23, United States Code, $115,000,000 for each of fiscal years 2015 through 2019.

(b) APPLICABILITY OF TITLE 23, UNITED STATES CODE.—Funds authorized to be appropriated by subsection (a) shall—

(1) be available for obligation in the same manner as if those funds were apportioned under chapter 1 of title 23, United States Code, except that the

Federal share of the cost of a project or activity carried out using those funds shall be 80 percent, unless otherwise expressly provided by this Act (including the amendments by this Act) or otherwise determined by the Secretary; and

(2) remain available until expended and not be transferable.

SEC. 6. RETURN OF EXCESS TAX RECEIPTS TO STATES.

(a) IN GENERAL.—Section 9503(c) of the Internal Revenue Code of 1986 is amended by adding at the end the following:

"(6) RETURN OF EXCESS TAX RECEIPTS TO STATES FOR SURFACE TRANSPORTATION PURPOSES.—

"(A) IN GENERAL.—On the first day of each of fiscal years 2016, 2017, 2018, and 2019, the Secretary, in consultation with the Secretary of Transportation, shall—

"(i) determine the excess (if any) of—

"(I) the amounts appropriated in such fiscal year to the Highway Trust Fund under subsection (b) which are attributable to the taxes described in paragraphs (1) and (2) thereof (after

the application of paragraph (4) thereof) over the sum of—

"(II) the amounts so appropriated which are equivalent to—

"(aa) such amounts attributable to the core programs financing rate for such year, plus

"(bb) the taxes described in paragraphs (3)(C), (4)(B), and (5) of subsection (c), and

"(ii) allocate the amount determined under clause (i) among the States (as defined in section 101(a) of title 23, United States Code) for surface transportation (including mass transit and rail) purposes so that—

"(I) the percentage of that amount allocated to each State, is equal to

"(II) the percentage of the amount determined under clause (i)(I) paid into the Highway Trust Fund in the latest fiscal year for which such data are available which is attributable to highway users in the State.

"(B) ENFORCEMENT.—If the Secretary determines that a State has used amounts under subparagraph (A) for a purpose which is not a surface transportation purpose as described in subparagraph (A), the improperly used amounts shall be deducted from any amount the State would otherwise receive from the Highway Trust Fund for the fiscal year which begins after the date of the determination.".

(b) EFFECTIVE DATE.—The amendment made by this section takes effect on October 1, 2014.

SEC. 7. REDUCTION IN TAXES ON GASOLINE, DIESEL FUEL, KEROSENE, AND SPECIAL FUELS FUNDING HIGHWAY TRUST FUND.

(a) REDUCTION IN TAX RATE.—

(1) IN GENERAL.—Section 4081(a)(2)(A) of the Internal Revenue Code of 1986 is amended—

(A) in clause (i), by striking "18.3 cents" and inserting "3.7 cents"; and

(B) in clause (iii), by striking "24.3 cents" and inserting "5.0 cents".

(2) CONFORMING AMENDMENTS.—

(A) Section 4081(a)(2)(D) of such Code is amended—

(i) by striking ''19.7 cents'' and inserting ''4.1 cents'', and

(ii) by striking ''24.3 cents'' and inserting ''5.0 cents''.

(B) Section 6427(b)(2)(A) of such Code is amended by striking ''7.4 cents'' and inserting ''1.5 cents''.

(b) ADDITIONAL CONFORMING AMENDMENTS.—

(1) Section 4041(a)(1)(C)(iii)(I) of the Internal Revenue Code of 1986 is amended by striking ''7.3 cents per gallon (4.3 cents per gallon after September 30, 2016)'' and inserting ''1.4 cents per gallon (zero after September 30, 2021)''.

(2) Section 4041(a)(2)(B)(ii) of such Code is amended by striking ''24.3 cents'' and inserting ''5.0 cents''.

(3) Section 4041(a)(3)(A) of such Code is amended by striking ''18.3 cents'' and inserting ''3.7 cents''.

(4) Section 4041(m)(1) of such Code is amended—

(A) in subparagraph (A), by striking ''2016'' and inserting ''2021,'';

(B) in subparagraph (A)(i), by striking ''9.15 cents'' and inserting ''1.8 cents'';

(C) in subparagraph (A)(ii), by striking "11.3 cents" and inserting "2.3 cents"; and

(D) by striking subparagraph (B) and inserting the following:

"(B) zero after September 30, 2021.".

(5) Section 4081(d)(1) of such Code is amended by striking "4.3 cents per gallon after September 30, 2016" and inserting "zero after September 30, 2021".

(6) Section 9503(b) of such Code is amended—

(A) in paragraphs (1) and (2), by striking "October 1, 2016" both places it appears and inserting "October 1, 2021";

(B) in the heading of paragraph (2), by striking "OCTOBER 1, 2016" and inserting "OCTOBER 1, 2021";

(C) in paragraph (2), by striking "after September 30, 2016, and before July 1, 2017" and inserting "after September 30, 2021, and before July 1, 2022"; and

(D) in paragraph (6)(B), by striking "October 1, 2014" and inserting "October 1, 2019".

(c) FLOOR STOCK REFUNDS.—

(1) IN GENERAL.—If—

(A) before October 1, 2019, tax has been imposed under section 4081 of the Internal Revenue Code of 1986 on any liquid; and

(B) on such date such liquid is held by a dealer and has not been used and is intended for sale;

there shall be credited or refunded (without interest) to the person who paid such tax (in this subsection referred to as the ''taxpayer'') an amount equal to the excess of the tax paid by the taxpayer over the amount of such tax which would be imposed on such liquid had the taxable event occurred on such date.

(2) TIME FOR FILING CLAIMS.—No credit or refund shall be allowed or made under this subsection unless—

(A) claim therefor is filed with the Secretary of the Treasury before April 1, 2020; and

(B) in any case where liquid is held by a dealer (other than the taxpayer) on October 1, 2019—

(i) the dealer submits a request for refund or credit to the taxpayer before January 1, 2020; and

(ii) the taxpayer has repaid or agreed to repay the amount so claimed to such dealer or has obtained the written consent of such dealer to the allowance of the credit or the making of the refund.

(3) EXCEPTION FOR FUEL HELD IN RETAIL STOCKS.—No credit or refund shall be allowed under this subsection with respect to any liquid in retail stocks held at the place where intended to be sold at retail.

(4) DEFINITIONS.—For purposes of this subsection, the terms ''dealer'' and ''held by a dealer'' have the respective meanings given to such terms by section 6412 of such Code; except that the term ''dealer'' includes a producer.

(5) CERTAIN RULES TO APPLY.—Rules similar to the rules of subsections (b) and (c) of section 6412 and sections 6206 and 6675 of such Code shall apply for purposes of this subsection.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to fuel removed after September 30, 2019.

(2) CERTAIN CONFORMING AMENDMENTS.—The amendments made by subsections (b)(4) and (b)(6) shall apply to fuel removed after September 30, 2016.

SEC. 8. REPORT TO CONGRESS.

Not later than 180 days after the date of enactment of this Act, after consultation with the appropriate committees of Congress, the Secretary of Transportation shall submit a report to Congress describing such technical and conforming amendments to titles 23 and 49, United States Code, and such technical and conforming amendments to other laws, as are necessary to bring those titles and other laws into conformity with the policy embodied in this Act and the amendments made by this Act.

SEC. 9. EFFECTIVE DATE CONTINGENT ON CERTIFICATION OF DEFICIT NEUTRALITY.

(a) PURPOSE.—The purpose of this section is to ensure that—

(1) this Act will become effective only if the Director of the Office of Management and Budget certifies that this Act is deficit neutral;

(2) discretionary spending limits are reduced to capture the savings realized in devolving transportation functions to the State level pursuant to this Act; and

(3) the tax reduction made by this Act is not scored under pay-as-you-go and does not inadvertently trigger a sequestration.

(b) EFFECTIVE DATE CONTINGENCY.—Notwithstanding any other provision of this Act, this Act and the amendments made by this Act shall take effect only if—

(1) the Director of the Office of Management and Budget (referred to in this section as the ''Director'') submits the report as required in subsection (c); and

(2) the report contains a certification by the Director that, based on the required estimates, the reduction in discretionary outlays resulting from the reduction in contract authority is at least as great as the reduction in revenues for each fiscal year through fiscal year 2019.

(c) OMB ESTIMATES AND REPORT.—

(1) REQUIREMENTS.—Not later than 5 calendar days after the date of enactment of this Act, the Director shall—

(A) estimate the net change in revenues resulting from this Act for each fiscal year through fiscal year 2019;

(B) estimate the net change in discretionary outlays resulting from the reduction in

contract authority under this Act for each fiscal year through fiscal year 2019;

(C) determine, based on those estimates, whether the reduction in discretionary outlays is at least as great as the reduction in revenues for each fiscal year through fiscal year 2019; and

(D) submit to Congress a report setting forth the estimates and determination.

(2) APPLICABLE ASSUMPTIONS AND GUIDELINES.—

(A) REVENUE ESTIMATES.—The revenue estimates required under paragraph (1)(A) shall be predicated on the same economic and technical assumptions and score keeping guidelines that would be used for estimates made pursuant to section 252(d) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 902(d)).

(B) OUTLAY ESTIMATES.—The outlay estimates required under paragraph (1)(B) shall be determined by comparing the level of discretionary outlays resulting from this Act with the corresponding level of discretionary outlays projected in the baseline under section 257 of the

Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 907).

(d) CONFORMING ADJUSTMENT TO DISCRETIONARY SPENDING LIMITS.—On compliance with the requirements specified in subsection (b), the Director shall adjust the adjusted discretionary spending limits for each fiscal year through fiscal year 2019 under section 601(a)(2) of the Congressional Budget Act of 1974 (2 U.S.C. 665(a)(2)) by the estimated reductions in discretionary outlays under subsection (c)(1)(B).

(e) PAYGO INTERACTION.—On compliance with the requirements specified in subsection (b), no changes in revenues estimated to result from the enactment of this Act shall be counted for the purposes of section 252(d) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 902(d)).

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