Countdown to a shutdown of federal transportation funding

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Tagged as a bunch of do-nothings, Congress went home this week to face many of winter's potholes still gaping in July, and local officials panicked that the flow of federal transportation money will begin to dry up within weeks.

This time, House and Senate members will have little choice but to act when they return next week from the July 4 recess. The consequences of doing nothing seem too extreme for all but the most dire obstructionists to endure.

Letters warning that federal funding would begin to dry up on Aug. 1 went to state officials this week, foreshadowing a period when money for bridge and highway projects may slow dramatically at the height of the construction season.

Some states, fearful that Congress will fail them, already are planning cutbacks that may put tens of thousands of construction workers out of work. Arkansas, which counts on Washington for 70 percent of its road construction dollars, shelved 14 projects slated for this summer with a price tag of \$70 million to \$80 million.

"We see this as a very real threat," said Randy Ort of the Arkansas State Highway and Transportation Department. "I think some states are gambling that it's not going to happen."

Most states get about half of their transportation money from Washington. U.S. Transportation Secretary Anthony Foxx, who wrote his second letter in as many weeks to states warning of an impending crisis, said on average states would lose about 28 percent of their federal money.

The issue is one Congress has ducked for several years. Federal transportation dollars come from a dedicated source — the Highway Trust Fund. The vast majority of the fund's money comes from the 18.4 cents-per-gallon federal gas tax that was last raised in 1993. The tax has not kept up with inflation and, largely because vehicles are getting more miles per gallon, the fund has been shrinking and will be unable to pay its bills as soon as next month.

There is general awareness on Capitol Hill that shutting down construction jobs and tossing tens of thousands of people out of work in the next few months is seen as bad policy and perilous to the economy.

But the pending demise of the trust fund has been forecast for years without spurring Congress to decisive action to replenish it. Before Congress left town for the holiday, the talk was of a patch to extend funding past November's politically prickly midterm elections.

A House proposal to fund the patch by ending Saturday postal delivery went nowhere, and a subsequent patch-making plan by Senate Finance Committee Chairman Ron Wyden (D-Ore.) was quickly denounced by Republicans in both chambers.

Rep. Dave Camp (R-Mich.), chairman of the House Ways and Means Committee, said the Senate was "heading down a partisan road" and that there was "no way tax hikes to pay for more spending will fly in the House." Camp said he will offer a proposal to shore up the trust fund next week.

The options that the Congressional Budget Office laid out two months ago for keeping the trust fund solvent were not the stuff of dreams: reduce spending on roadways by 30 percent and on transit by 65 percent, raise the gas tax by 10 to 15 cents per gallon, or transfer \$18 billion from the general tax fund. Maintaining funding at current levels for the next six years is estimated to cost about \$100 billion more than the trust fund will bring in.

"There are certain things that the government bears responsibility for, and you have to pay for those things," Janet F. Kavinoky of the U.S. Chamber of Commerce said last week.

The problem is not a shortage of proposals to bolster the trust fund for the long term, but rather a lack of agreement and will to do so. Among the ideas in play: increase the gas tax and index it to inflation, give tax breaks to U.S. corporations who have billions stashed offshore to encourage them to bring those billions back, reform corporate tax laws, divert income tax dollars to transportation, tax fuel at the refinery rather than the pump, allow more tolling on interstates, or charge people for every mile they drive.

The White House and key leaders on the Hill, notably Sen. Barbara Boxer (D-Calif.) and Rep. Bill Shuster (R-Pa.), say they are open to most of the options or some combination of several.

The rest of Congress is fraught with the fissures and factions that have paralyzed both houses, and some of the issues are unique to transportation.

Raising the gas tax troubles most members facing an election this year, and no-new-taxes hard-liners are hellbent against it. Anti-big-government tea party Republicans hold to a theory of devolution that would reduce federal revenues and allow states to raise and spend transportation money as they see fit. There also is an urban-rural split that divides Republicans over whether trust fund money should continue to pay for transit systems or be reserved for roadway projects.

Boxer and other optimists hold hope that a lame-duck Congress will coalesce around a long-term transportation bill after the election that will stabilize the federal funding landscape for worried state officials.

"Get it done after the election," Boxer said. "Don't put it off, and don't play politics."

If a highway funding plan emerges by Christmas, the odds are it will keep spending at current levels plus inflation, far below the multitrillion-dollar infrastructure investment that some experts say is necessary by 2020.

Meantime, however, unless Congress moves to address the trust fund shortfall, states will be in hot water by August.

"Our major capital projects could be slowed or potentially suspended," said Reggie Sanders, a spokesman for the D.C. Department of Transportation. "It would be a big setback."

The standard procedure is for states to lay out the cash for transportation projects and then bill Washington for its share.

Virginia Transportation Secretary Aubrey L. Layne Jr. said the commonwealth could keep construction workers on the job for about 90 days, provided there is the promise of eventual reimbursement.

"Maybe nothing goes on in Washington in August, but in the commonwealth and elsewhere, that's prime time for construction projects and maintenance," Layne said. "If we don't see substantial movement [by Congress] in the next 60 days, we'll start thinking about curtailing things."

Maryland says it is somewhat cushioned from the potential loss of federal revenue by action it took last

year to raise the state tax on gas, a move that was projected to raise an average of \$800 million a year.

"That gives us the ability to manage the slowdown in reimbursements from the U.S. Department of Transportation in August and September," said Erin Henson of the Maryland Department of Transportation.

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