The House Budget Committee this week passed a budget resolution that could leave the Highway Trust Fund—and states—in the lurch. I also have the usual updates on MAP-21 reauthorization, state transportation funding activities, public-private partnerships and tolling and state multi-modal strategies.

**Aligning Spending With Revenues, Cutting Amtrak Subsidies Proposed as Solutions**

This week House Budget Committee Chairman Paul Ryan released the committee’s [FY 2015 budget blueprint](#), which was approved by the panel on Wednesday.

While the plan expresses support for continuation of the Highway Trust Fund and the concept of user fees, it would make no new financial obligations to the fund in FY 2015. Since the fund is nearly insolvent, that would mean it could only be used to pay out committed funds and the effect would be to zero out the federal program and cause some significant headaches for states.

“Maintaining the solvency of the Highway Trust Fund and the policy of the trust fund being user-fee supported is a priority,” the document says on page 43. “With the Highway Trust Fund facing insolvency in late 2014 or early 2015, efforts need to be made to find a long-term solution to the trust fund’s financial challenges. The budget recognizes the need for continued reforms in this area to adequately maintain, improve, and—where appropriate—expand infrastructure. Though the federal-aid highway program was intended to be fully financed by gas-tax revenues, the fund has recently operated at spending levels well in excess of gas-tax receipts. The Highway Trust Fund’s financing shortfall has been building for years. Over the next decade, CBO anticipates this gap to continue to increase under current spending levels and policy, causing the Highway Trust Fund to run average annual cash deficits of $16 to $17 billion.”

The document goes on to recommend against another short-term General Fund transfer that isn’t paid for as Congress has relied on in recent years.

“A loophole in budget rules allows Congress to bail out the Highway Trust Fund without the transfer of taxpayer resources being recorded as a net increase in spending or deficits. The budget resolution once again includes a reform to close this loophole and ensure that any future transfer is fully offset. Instead of continuing to rely on general-fund transfers for solvency going forward, the Congress needs to address the systemic factors that have been driving the trust fund’s bankruptcy. Congress also needs to continue to reform the critical surface-transportation infrastructure and safety programs to put them on sound financial footing.”

The plan calls for maintaining essential funding for surface transportation, aviation and safety by reducing funding for other transportation activities that may be of “lower priority to the federal government.” It suggests that Amtrak operating subsidies and Transportation Security Agency funding might be a couple of places to look to cut.
“The budget recommends sensible reforms to avert the bankruptcy of the Highway Trust Fund by aligning spending from the Trust Fund with incoming revenues collected,” the blueprint reads. “The budget also includes a provision to ensure any future general-fund transfers will be fully offset, while at the same time providing flexibility for a surface-transportation reauthorization that does not increase the deficit.”

In a statement Tuesday [3], White House Press Secretary Jay Carney said the Ryan budget plan would “force deep cuts to investments in our roads and bridges.”

The Ranking Democrat on the House Transportation and Infrastructure Committee, Nick Rahall, said this week the budget “would cripple the U.S. transportation system” and “takes a partisan jackhammer to our transportation infrastructure.”

Kathleen Bower, the Vice President of Public Affairs for AAA said in a statement [4]: “Ryan’s budget plan will not provide an appropriate level of investment necessary to build and maintain the nation’s 21st century transportation system. The significant cuts he is proposing will hamper investments in safety, further delay needed bridge improvements and hamper mobility in and around congested urban areas.”

Bower goes on to add that a federal gas tax increase coupled with improved accountability would be the best, near-term, fiscally responsible solution.

According to Politico [5], despite the House Budget Committee’s approval of the budget resolution, it faces an uncertain future on the House floor and the Senate has no plans to even take up a budget resolution this year.

MAP-21 Reauthorization & the Future of the Highway Trust Fund

- **Colorado**: The widening of I-25 to ease congestion between Denver and Fort Collins is just one of the projects that could be in jeopardy if Congress is unable to find a fix for the Highway Trust Fund, Colorado DOT officials said recently, The Coloradan [6] reported [6].

- U.S. Sen. Mike Lee of Utah introduced an amendment to the Senate’s current unemployment insurance extension that is similar to his previously introduced Transportation Empowerment Act, a measure that would gut the federal surface transportation program and make states responsible for transportation decisions and funding, Politico Morning Transportation reported this week [7].

- Kevin DeGood of the Center for American Progress writes in a recent piece for The Hill [8] newspaper that there is one long-term solution to the Highway Trust Fund crisis that could help kill several birds with one stone. “The need for new revenues presents the perfect opportunity to begin the transition to a mileage-based user fee,” he writes. “Such a fee would finally make the connection between how much we drive and how much we pay completely transparent. Moreover, the technology underlying a federal mileage fee would allow states and metropolitan regions facing the worst congestion to vary pricing to manage demand – also known as congestion pricing. States and regions could also leverage a mileage system to address vehicle weight, emissions profile, and social and geographic equity concerns. To be clear, the decision to implement variable pricing or other policy goals should be left to states and metropolitan regions.” DeGood points out that more than a decade of pilot testing in Oregon has shown that “a mileage fee is not only feasible but can be implemented while respecting our essential privacy rights.” But DeGood concedes that a transition to a mileage system will take time and the fiscal cliff facing the HTF requires an immediate solution. He argues that “Congress should increase the gas tax and use a share of the proceeds to fund more state-based mileage pilot projects to work out the best path to full implementation.”

- Robert Poole of the Reason Foundation writes this month [9] about divisions within the community
that supports mileage-based user fees over the true purpose(s) of transitioning to such a system.

- That USDOT report I told you about a few weeks ago on the “2013 Status of the Nation’s Highways, Bridges and Transit: Conditions & Performance” is dissected in a recent brief for journalists put out by the Shorenstein Center on Media, Politics and Public Policy at Harvard University. The brief cherry picks some of the key graphs from the report and summarizes its findings.

**Legacy of MAP-21**

- The Federal Highway Administration and the Federal Transit Administration published joint guidance this week concerning financial penalties against federal agencies that fail to render a decision on a transportation permit, license or other approval document within 180 days. You can read the guideline in the Federal Register here. I also looked at penalties and other provisions aimed at “Accelerating Highway Project Delivery Under MAP-21” in an October 2012 Capitol Research Brief.

- The Congressional Research Service last month issued a report called “Surface Transportation Program Reauthorization Issues for Congress.” Among the issues CRS says are likely to arise from the reauthorization process:
  - Whether MAP-21’s consolidation and reorganization of highway, public transportation, and surface transportation safety programs are working as intended;
  - Whether states are maintaining their spending effort to meet highway needs; and
  - Whether the greater state control over highway spending decisions enacted in MAP-21 is leading to sufficient attention to repairing or replacing deficient bridges.

**State Activity on Transportation Revenues**

- **State Gas Taxes:** The Institute on Taxation and Economic Policy issued two fact sheets this week that provide a good snapshot of the state of state gas taxes. According to “How Long Has It Been Since Your State Raised Its Gas Tax?” 24 states have gone a decade or more without an increase and 16 states have gone two decades or more. ITEP’s second fact sheet shows that a majority of the population of the United States now lives in a state with a variable-rate gas tax.

- **Florida:** Gov. Rick Scott has signed legislation to cut annual motor vehicle title and registration fees, WESH-TV reported.

- **Illinois:** A coalition of business and labor leaders is pushing for new revenues to help repair the state’s highway system, Peoria Public Radio reported. The Transportation for Illinois Coalition is recommending increases to the gas tax and registration fees as well as the addition of a sales tax on oil changes and auto repairs to provide long-term, stable funding for road work.

- **Kentucky:** Lawmakers wrapped up their regular session this week passing a state budget that does not include a gas tax fix requested by Gov. Steve Beshear that would have stabilized the road fund. That means the fund likely will lose more than $100 million over the next biennium and the state’s variable gas tax will continue to rise, fall or stay unchanged from quarter to quarter based on a survey of the average wholesale price of motor fuels. The variable tax rate that took effect on April 1 will bring in 2.2 cents per gallon less in revenues for the road fund. But some are predicting gas prices to rise sharply anyway so there may be a substantial increase in the average wholesale price during the April survey.

- **Mississippi:** After a contentious battle over which transportation projects to fund, Mississippi lawmakers this week approved a final deal that will put an extra $32 million toward local road construction if tax collections continue coming in at a good pace, the Associated Press reported. The House had earlier balked at the Senate’s first transportation budget proposal after Senators inserted $40 million in new projects, including some not on the state DOT’s priority list. Mississippi DOT has said it needs about $400 million more annually to prevent further decline in the state’s
roads and bridges. But lawmakers rejected efforts during the session to raise taxes to pay for road repairs.

- **Missouri:** Legislation to propose a constitutional amendment that would impose a one-cent tax increase to fund infrastructure was set aside in the House this week following a disagreement over whether some tax revenue could be spent on bike paths, the Associated Press reported. [23]

- **North Carolina:** The Raleigh News & Observer reported this week [24] on the efforts of a NCDOT Board of Transportation committee to seek revenue enhancement proposals and make recommendations. Among the solutions the panel reportedly could consider: mileage-based fees, adding a percentage point to the highway use tax on car sales, halting the transfer of $255 million a year from the Highway Fund to the state's General Fund, congestion pricing, tolling, and increasing the gas tax or vehicle registration fees. The options were included in a study presented to committee members [25] this week that was prepared by researchers at the Institute for Transportation Research and Education at North Carolina State University. The administration of Gov. Pat McCrory is said to want to postpone recommending any new transportation revenues until NCDOT publishes a new 25-year plan later this year that is expected to include updated projections of its long-term revenue needs.

- **Wisconsin:** Transportation officials are hoping to reboot the conversation this spring on how to raise new money for transportation projects in the state, according to The Daily Reporter [26]. The Wisconsin Department of Transportation will host a series of meetings throughout the state between April 8 and May 21 to inform the public on the importance of infrastructure and convey the need for sustainable funding that is fair to all users of the transportation system. If this all sounds familiar, it’s because the state has been down this path before [27]. A commission established by Gov. Scott Walker spent the better part of 15 months in 2011 and 2012 holding meetings and listening sessions. The Transportation Finance and Policy Commission issued a 162-page report in January of last year that made a series of recommendations, including a 5-cent increase in the state’s fuel tax. But Transportation Secretary Mark Gottlieb, who led that panel, now says while the commission’s report will serve as a starting point, no special deference will be paid to their recommendations. Gottlieb said new ideas for bringing money into the transportation fund could be included in his department’s budget proposal, which will be presented to lawmakers later this year. Walker in recent months has expressed willingness to consider ways of increasing transportation revenue as long as they don’t increase the overall net tax burden. The governor signed tax cut legislation last month that might give the state some room to work with.

**Public-Private Partnerships & Tolling**

- **Illinois & Indiana:** The 47-mile, $1.25 billion Illiana Corridor project between Will County, Illinois and Lake County, Indiana is eligible to apply for a low-interest TIFIA loan, USDOT told transportation officials in both states recently, according to the AASHTO Journal [28]. That could save as much as 20 percent of the project cost. Illinois DOT and the Indiana Finance Authority will now be able to negotiate with USDOT on the terms of a loan.

- **Kentucky:** Last week, I wrote about [29] the passage of HB 407 [30], which would allow for the use of public-private partnerships as an alternative finance method for projects. As approved and awaiting the signature of Gov. Steve Behear, the measure would prohibit tolls to fund construction of a replacement for the Brent Spence Bridge across the Ohio River. Kentucky lawmakers said the bridge should be the federal government’s responsibility. But in a recent article for USA Today [31], Deirdre Shesgreen writes that there’s almost no chance Congress will simply cut a check to cover the cost of the new bridge for a variety of reasons, including: no more federal earmarks, the fact that the Highway Trust Fund is running on fumes, Congress isn’t in a spending mood right now, and alternative funding proposals don’t have any political legs. A TIFIA loan could be an option but the problem is those loans must be repaid with a dedicated revenue stream, such as—you guessed it—tolls.
• **New England:** Dan Vock of Stateline wrote recently about a three-year old agreement between Maine, Massachusetts and New Hampshire to crack down on their own residents who frequently blow off tolls in the other states. While the arrangement has yielded only modest revenues, it's being hailed as a model for interstate cooperation as electronic tolling spreads across the country, Vock writes.

• **Virginia:** When Gov. Terry McAuliffe made the decision last month to put the expansion of U.S. 460 in southeast Virginia on hold, it invited new scrutiny for the project that has already cost the commonwealth $250 million despite ground never being broken on the project, The Washington Post reported. Critics of former Gov. Bob McDonnell now say he committed taxpayer and bond investor money to the project even as federal regulators were saying the road faced serious permitting issues with regards to environmental impacts.

**State Multi-Modal Strategies**

**Transit**

*The Atlantic* Cities blog reported this week on “The Real Reason Mass Transit Fares Are Rising Across the U.S.”

**Active Transport**

Smart Growth America has issued its report “Measuring Sprawl 2014,” the first edition of which was released in 2002. It analyzes development patterns in 221 metropolitan areas and 994 counties in the United States as of 2010 to see which of those communities are more compact and connected and which are more sprawling. The report also includes examples of communities building to be more connected and walkable and details how policymakers at all levels of government can support such efforts. Streetsblog USA also has a summary of the report here.

Streetsblog USA noted this week that at least three members of Congress have introduced pedestrian safety bills in the last six months.

*The Washington Post’s* Wonkblog this week looked at “Why DC’s bikeshare is flourishing while New York’s is financially struggling.”

**Happy Trails**

…to Dan Vock of Stateline, who was a guest on our “States to Watch” webinars in 2013 and 2014. He departs Stateline today for Governing magazine, where he will continue to cover the transportation and infrastructure beat.
© 2016 The Council of State Governments. All Rights Reserved.

Source URL:

Links
[10] http://knowledgecenter.csg.org/kc/content/obama-camp-suggest-tax-code-changes-could-be-key-transportation-investment