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## Patchwork U.S. Highway Deals Leave States Hanging

By Jeff Plungis - Jun 22, 2012

One consideration above all others may be pushing the political odd couple of Senator [Barbara Boxer](#) and Representative [John Mica](#) toward a deal on U.S. highway spending through next year: Failure to reach one may idle thousands of construction workers.

The Highway Trust Fund, which enables the federal government to pay for state road and bridge projects, may run out of money if Congress resorts, as it has nine times already, to a temporary extension of current law.

States will become cautious about starting or continuing projects if Congress can't agree on a funding plan soon, possibly putting an entire year's construction on hold, said Brian Turmail, spokesman for the Associated General Contractors of America, an Arlington, Virginia-based trade group.

"We're going to come back and will have a harder problem," he said. "There's no incentive to kick the can here."

After weeks of growing doubts within the transportation and construction industries that a deal was possible before the current law's June 30 expiration, congressional negotiators took several steps this week toward working out their differences. Boxer, a California Democrat, and Mica, a Florida Republican, said yesterday they're making progress and will work into next week.

The [Highway Trust Fund](#) will run out of money sometime in the next 15 months without a congressional transportation deal, according to the [Congressional Budget Office](#). The fund, which works as a kind of [credit card](#) to reimburse states for construction they're undertaking, is paid for through taxes on gasoline, diesel, new-truck purchases and truck tires.

### Money Running Out

Without additional revenue, the trust fund will be drained by January or February, Jack Basso, a transportation finance specialist at the [American Association](#) of State Highway and Transportation Officials, told reporters after a June 13 rally with senators and builders on the National Mall in [Washington](#).

A six-month extension would put the transportation negotiations into a post-election session of Congress that probably will be mired in discussions of the national deficit, whether to extend former President [George W. Bush](#)'s tax cuts, and how to avoid reductions in defense spending. States don't want to take that chance, said Basso, a former assistant secretary for budget at the U.S. Transportation Department.

"They will start fewer projects if it's uncertain through the fall," Basso said. "We're going to miss a major part of the construction season."

## Missouri Projects

Missouri, even at current funding levels, is already struggling to find enough money to rebuild Interstate 70, which runs between [St. Louis](#) and [Kansas City](#), or replace bridges over the Mississippi and Missouri rivers, said Bob Brendel, a spokesman for the state transportation department in Jefferson City.

"We have way more needs than funds to meet them," Brendel said. "We're in virtual maintenance-only mode now."

The Washington-based American Road and Transportation Builders Association said June 20 that 28 states and the [District of Columbia](#) are spending less on highways and bridges than they were in 2008, before the latest U.S. recession, according to data compiled by McGraw-Hill Analytics.

"That's a major reason why unemployment in the [construction industry](#) is over six points higher than the [national average](#)," said Alison Premo Black, the 110-year-old trade group's chief economist.

## 'Adverse Effect'

If conferees reduced federal highway program spending to what the Highway Trust Fund is taking in, as some Republican lawmakers are proposing, it would mean a decrease of about 35 percent in the amount of money states could obligate, Black said.

"This would definitely have an adverse effect on the market," Black said. "State DOTs and local governments could choose to spend their own money to help make up that gap, but they are still feeling the impact of the weak economy."

The Highway [Trust Fund](#) collected \$36.9 billion in taxes and interest in 2011, while it sent out \$44.3 billion in payments, according to the CBO. Of the outlays, \$36.7 billion went to highways and \$7.6 [billion](#) to mass transit.

This year's spending is more in line with receipts, according to an update on the Federal Highway Administration website. Through April, which is seven months into fiscal 2012, the trust fund collected \$19.4 billion and spent \$20.4 billion.

The balance of the trust fund was expected to be \$5.5 billion at the end of fiscal 2012, compared with \$14.3 billion in 2011, according to a March CBO estimate. The government can't by law deficit-spend to reimburse states for highway construction, so the Transportation Department would have to slow down payments before going into the red.

Businesses that depend on a strong transportation system, like [United Parcel Service Inc. \(UPS\)](#), are willing to pay more, Thomas Jensen, UPS's vice president of transportation policy, told a gathering at Bloomberg Government June 20. Lawmakers aren't ready to support higher taxes, and there won't be a solution until Congress figures out financing, he said.

"It's a money problem," Jensen said.

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