



Construction on the expansion project to widen State Route 76 in San Diego County on April 4, 2013. Photographer: Sam Hodgson/Bloomberg

Five months before the U.S. Highway Trust Fund may be unable to pay its bills, top policy makers are shooting down the only ideas that can prop it up in time.

Boosting the nation's 18.4 cents-a-gallon gasoline tax can't pass the House, lawmakers say. Barbara Boxer, a California Democrat drafting the Senate's highway bill, yesterday said her idea for a levy on oil at refineries isn't getting traction either. And House Speaker John Boehner said he rejects the idea of a taxpayer bailout of the trust fund.

President Barack Obama and Representative Dave Camp, the Michigan Republican who leads the House Ways and Means Committee, yesterday proposed separately to use one-time tax savings to pay for transportation projects. While that idea was praised by some lawmakers and trade groups, it would require a tax-code rewrite that congressional leaders said would be almost impossible in 2014.

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"We've got to find a funding mechanism to fund our infrastructure needs," Boehner, an Ohio Republican, told reporters after a private meeting Feb. 25 with Obama. "I wish I could report to you that we've found it, but we haven't."

The Federal Highway Administration has projected that the Highway Trust Fund, supplied by gasoline and diesel fuel taxes, will have to begin as soon as August juggling reimbursements to states for work already done. The fund has been running out of money as people drive less and use more fuel-efficient vehicles.

Business groups have said infrastructure spending is needed to boost the U.S. economy, while benefiting construction companies including Caterpillar Inc. ([CAT:US](#))

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Obama Proposal

A week before his fiscal 2015 budget plan is released, Obama yesterday proposed a four-year, \$302 billion transportation measure to succeed the current bill that expires Sept. 30. About half that would be paid for by temporary changes in business taxes. The remaining amount is about what the trust fund takes in from taxes at current levels.

Under Camp's plan, U.S. multinational companies would they would pay a one-time tax on assets they've accumulated outside the U.S. under the current system, with the proceeds dedicated to the Highway Trust Fund.

Transportation Secretary Anthony Foxx told reporters that the administration wants to get beyond the "Band-Aid" solution of temporarily funding roads, bridges and rail lines.

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"The one thing nobody wants to do is see the highway trust fund go insolvent," he said aboard Air Force One.

Yet the lack of consensus on any way to avoid that points to a temporary extension of the current measure using general taxpayer funds to supplement the trust fund, said Joshua Schank, president and chief executive officer of the nonpartisan Eno Center for Transportation in Washington.

Takes Time

"Congress does not look like it wants to do much of anything this year," Schank said. "To the extent that corporate tax reform is on the table, it's not getting a lot of

support from leadership in either house right now. So prospects for that funding source are not looking great right now. And authorization bills always take time.”

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Prospects for a longer-term agreement in 2015 or later may be improving, he said. Obama and Camp both proposed ideas to raise more money for transportation projects through general tax revenue rather than user fees, a change in approach that Schank said hints at a possible deal.

“It is heartening that both President Obama and Chairman Camp recognize the critical need for revenue to finance infrastructure improvements,” Bill Graves, president and CEO of the American Trucking Associations, said in a statement yesterday.

“While a sustainable source of long-term, funding would be preferable, given the apparent reluctance to embrace traditional, user-funded revenue streams, ATA is prepared to keep an open mind when looking at financing options,” he said.

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‘Crippling Blow’

Other groups stressed the need for an immediate solution to the trust fund’s insolvency.

“Failure to act in a timely manner would deliver a crippling blow to the U.S. economy and the livelihoods of hundreds of thousands of American workers,” said Pete Ruane, president and CEO of the American Road and Transportation Builders Association.

Tom Donohue, president of the U.S. Chamber of Commerce, the largest business lobbying group, earlier this month sat next to AFL-CIO President Richard Trumka in a rare display of agreement on legislation that would boost the gasoline tax by 15 cents a gallon over three years.

“For once, let’s do what’s right, not what’s politically expedient,” Donohue, whose organization usually lobbies against tax increases, told members of the Senate Environment and Public Works Committee at a hearing in Washington.

Oil Tax

Changing the tax code won’t go far this year, congressional leaders in the two major political parties said this week. A day before Camp laid out his proposal, including a \$126.5 billion highway trust fund infusion, Senate Majority Leader Harry Reid of Nevada told reporters it would be “extremely difficult” to move a rewrite in 2014. Senate Minority Leader Mitch McConnell of Kentucky said it can’t happen because Democrats will insist on new revenue.

“I have no hope for that happening this year,” he told reporters.

Boxer, who is chairman of the Senate public works panel, told members of a state highway administrators’ group yesterday in Washington that ideas to avoid a trust fund insolvency -- including her own -- aren’t going anywhere in Congress.

“I don’t see support for raising the gas tax,” she said. “And there is absolutely no way we’re going to cut spending. So it’s going to have to be a creative way we’re going to fund this.”

Her proposal for a tax on oil at refineries is falling flat, she said for the first time. “I may be the only one who likes that idea,” Boxer said.

Boehner yesterday called the notion of a short-term infusion of general funds a “bailout.”

He may have little choice, said Schank, of the Eno Center.

“It’s easy to say ‘no bailout’ when you’re not facing an immediate collapse of the highway trust fund,” and more difficult as that point approaches with elections in November, he said.

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