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Highway fund almost dry

Latest extension of gas tax due to expire Sept. 30.

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By Jessica Wehrman

Washington Bureau

WASHINGTON — The fiscal cliff may be over, but the highway cliff appears to have just begun.

The federal highway trust fund — paid for via an \$18.4 cent per gallon federal gas tax — is set to dry up in August, according to the Congressional Budget Office, meaning the government will run out of money to pay for maintaining and building new highways.

"The balance of the highway trust fund is lower than it's ever been and the monies there are going out faster than what they're coming in," said Chris Runyan, president of the Ohio Contractors Association. "The trust fund can never deficit spend. It can never become insolvent....when it hits zero, things come to a screeching halt."

That means major construction, and even minor work on road repairs and potholes, could lose their funding source. In the latest funding cycle, the Dayton metropolitan area received about \$38 million in highway trust fund money.

For decades, the federal gas tax adequately covered the nation's highway and transit needs, providing about 45 percent of states' highway costs. But that's changed in recent years, in part thanks to a spike in construction costs and in part because cars have become more fuel-efficient, which means less money from the gas tax.

The last time Congress increased the tax was 21 years ago, during President Bill Clinton's first term. And there's very little appetite to increase the tax now, with only a few months before the midterm elections.

Congress has compounded the problem. It has traditionally approved five- or six-year highway bills, but the last highway bill became mired in partisan politics. The battle resulted in the 2005 highway bill being extended nine times after it expired in 2009. When Congress finally reached an agreement, it was for an 18-month federal program — far short of the six years that many transportation experts say is needed to properly plan for long-term highway projects. That bill expires Sept. 30.

The trust fund takes in about \$38 billion each year, and spends about \$50 billion, said Jim Tymon, director of management and program finance for the American Association of State Highway and Transportation Officials. He said Department of Transportation officials have indicated once the trust fund drops to below \$4 billion, they will have to begin delaying payments to states.

The collision has been coming for some time.

"Everyone has known for the last 10 years that something structurally needs to happen to the highway trust fund or else we'll go hand to mouth in the future and not have a sustainable federal highway system," said former U.S. Rep. Steve LaTourette, R-Bainbridge Twp. in suburban Columbus.

The Senate Finance Committee has begun holding hearings on how to address the problem. On the House side, House Ways and Means Committee Chair Dave Camp earlier this year suggested a tax reform package that used corporate tax reform to pay for highways, but his proposal was met with lukewarm support from his own party. President Obama, meanwhile, has also pushed corporate tax reform as a long-term solution.

But corporate tax reform takes time and "very few things can get the money into the trust fund quick enough to fix the August problem," Tymon said. "The general fund is probably the only option out there."

Many, including Sen. Rob Portman, say it's likely that in the short-term, Congress will borrow money from the general fund in order to avoid a bruising battle before November. According to Tymon, the federal government has already transferred about \$50 billion from the general fund for highways cumulatively since 2008.

But they're not thrilled with that reality. "We really need to do something," said Portman, R-Ohio, adding that continuing to transfer money out of the general funds is not a long-term "viable solution."

Sen. Sherrod Brown, D-Ohio, said the cost of failing to act is high. He said failing to act would harm productivity and put public safety at risk.

Brian Burgett, president and CEO of the Columbus-based Kokosing Construction, said Congress has little choice but to act.

"If the checks stop, we've got 1,200 families, 1,200 homes that wouldn't have income coming in, because we can't afford to pay them," he said.

To hear Burgett describe it, no one wins if Congress allows the trust fund to dry up. His employees and his company would be hurt, he said, but so would other businesses that rely on the nation's highways to transport goods. So too would anyone who drives on the highways.

According to a 2013 report by the American Society of Civil Engineers, 2,462 bridges in Ohio — 9.1 percent — are considered structurally deficient. That report found that 42 percent of the state's roads are in poor or mediocre condition. Transportation for America, meanwhile, found that Ohio receives more than \$1.4 billion from the federal gas tax — 59 percent of what it spends on highways. The latter group found that federal dollars account for half or more of the capital transportation budget in all but 15 states.

Steve Faulkner, a spokesman for the Ohio Department of Transportation, said the state works hard to make sure it has money in hand before spending it. "We typically have the money up front before we put shovels in the ground," he said, "so the money is there."

The larger concern, he said, would be if the situation isn't resolved for the foreseeable future. He said the state's first priority is preserving and maintaining the current system. After that, the state considers other priorities, such as new projects.

"Certainly, if the trust fund is ignored and solutions aren't found, it could have an effect long term on how we maintain roadways and what to do about constructing new ones," he said.

What Ohio cities stand to lose in federal highway and transit funding in FY 2015

Urbanized Area

Total (dollars)

Akron: 17,100,930

Canton: 8,639,819

Cleveland: 70,880,738

Columbus: 39,274,751

Dayton: 38,688,615

Cincinnati: 48,577,720

Toledo: 15,224,689

Youngstown: 10,907,397

Source: Transportation for America

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Former U.S. Rep. Steve LaTourette, R-Bainbridge Twp.

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