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Transportation Secretary: Funding to states will be rationed beginning in August



By Michael Lindenberger

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WASHINGTON — Transportation Secretary Anthony Foxx said this morning that the federal government will begin rationing its highways funds to states beginning Aug. 1, as the Highway Trust Fund begins to run dry. He also noted administration's proposal to eliminate the current prohibition on tolling existing interstate lanes.

"It's going to be bad," Foxx told reporters at a breakfast Tuesday hosted by the Christian Science Monitor.

The administration has sent letters to governors of all 50 states telling them their invoices for federal reimbursement on major transportation projects will no longer be paid in the normal manner. Beginning in August, those reimbursements will be made only as federal gas tax receipts allow. This could mean significant budget problems for states like Texas. Here's an example of the [letters to governors sent today](#).

For every gallon of gasoline sold in America, 18.4 cents is paid into the Highway Trust Fund, which is used to fund the federal portion of highway, bridge and transit projects across the country. That fund has been on perpetual crisis for the past several years, requiring Congress to make numerous infusions from the general fund.

Now the money — and the legal authorization to spend from the fund — is running out. The authorization expires Sept. 30.

but Foxx said the fund's balance will dip below \$4 billion by early August, and after that the department will only make payments to states as the gas and diesel taxes come into the fund.

"I've been talking about this cliff for six months, and it's here. I'm concerned that we might go over. ... I don't think the general public, congress or anyone really understands how serious it is."

These crises happen routinely, and usually Congress acts to either extend the trust fund for a short or manages a longer-term solution. But given the divisions in Congress finding a solution may be more difficult this time.

Meanwhile, the states will be left in the lurch.

Bud Wright, executive director of the American Association of State Highway Transportation Officials, reacted to Foxx's sending of the letter with both alarm and optimism.

"As Transportation Secretary Foxx's letter to state DOTs shows, the risk to the nation's surface transportation programs is real and imminent. We are encouraged that Congress is taking the short-term solvency of the Highway Trust Fund very seriously," he said. "We remain encouraged and supportive of ongoing discussions by Congress that would address the short-term solvency issue, which is critical to states."

States depend on the federal government for the lion's share of major highway projects, as well as up to 90 percent of major transit lines.

The highway trust fund is in crisis for two primary reasons. One, the vehicles in use now get much better gas mileage. That means typical drivers pay far less in gas taxes than they used to. At the same time, the interstate highway system is aging and growing. That mean's more maintenance costs.

Efforts to raise the gas tax — or at least peg it to inflation — have sprouted in dozens of states, making for some very stormy sessions in the Texas Legislature. A bipartisan bill in the US. Senate would raise that tax.

But Foxx refused to say whether President Obama would sign a gas tax increase. He insisted that the administration has a good bill that would provide sufficient funding to allow for a four-year window. That bill is the [Grow America Act](#), and includes what he says a focus on pro-growth tax reform. (A [cheat sheet from the administration](#) on the bill is here.)

Another big part of the bill: Elimination of the federal prohibition on tolling existing lanes of the interstate.

Under the provisions in the bill, a state could apply to have any segment of any interstate tolled. There would be no firm requirement that the tolled lanes be newly added. But he said even proposal would be looked at on a case-by-case basis. The state, he said, would have to make a good case for the change. That would give the DOT leverage to make requirements on an individual basis. (Note: Currently, the administration has approved a handful of exceptions to the no-tolling rules. I-35 E will contained tolled lanes when it is completed to Denton. though those tolled lanes. like the ones on the new LBJ Freeway. will be newly added.)

Dallas has pumped more than \$10 billion in into highway infrastructure in recent years — almost all of it financed by leveraged tolls in the public and private sectors. It's got one of the best networks of highways in the country, though traffic-weary drivers may not realize it.

At the same time, the highway explosion has shifted hundreds of dollars in monthly costs to drivers through the tolls now common throughout every corner of the metro area. In addition, because neither the state nor federal gas taxes have been raised, public agencies that build highways have taken on enormous debt loads in the past decade. TxDOT has said repeatedly that its revenues are almost entirely eaten up each year on maintenance and its mushrooming debt payments. Last time I checked with NTTA, it owed nearly \$9 billion.

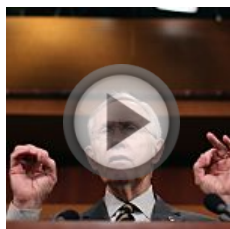
The lesson: Highways, transit and other infrastructure isn't free. Either the government pays for it through tax receipts, through billions in long-term debt (which isn't free either), or through pass-throughs like tolls. Or, as in Dallas, a little bit of everything.

What's not addressed here, and I'll leave to others to take up, is whether all that infrastructure spending has been good for Dallas. Has the city got its priorities straight, its mix between taxes and debt, and highways and transit and building patterns right.

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