



CBO gives Congress a choice on highway bill: Tax or spend?



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Lawmakers will have to increase the federal gas tax by 10 cents to 15 cents per gallon or find between \$13 billion and \$18 billion per year from other sources to maintain current spending on road and transportation projects, the Congressional Budget Office said on Tuesday.

A CBO official provided that analysis during a hearing of the Senate Finance Committee that was held to explore "new routes for funding and financing highways and transit."

CBO Assistant Director for Microeconomic Studies Joseph Kile told the panel that there were very few good options to shore up the Transportation Department's Highway Trust Fund, which could go bankrupt as early as August.

Kile said lawmakers could close the funding gap by cutting federal spending on highways and transit, increasing the federal gas tax or transferring money to the Highway Trust Fund from other areas of the federal budget.

"If lawmakers chose to address the projected shortfalls solely by cutting spending, no new obligations from the fund's highway account or its transit account could be made in fiscal year 2015; that would also be the case for the transit account in fiscal year 2016," Kile said in a testimony submitted to the panel.

"Over the 2015–2024 period, the highway account would see a decrease of more than 30 percent in the authority to obligate funds, and the transit account's authority would decrease by about 65 percent, compared with CBO's baseline projections."

Kile said the alternatives were nearly doubling the federal gas tax, which is currently at 18.4 cents per gallon, or pumping in approximately \$18 billion per year from other areas of the federal budget.

Lawmakers have thus far balked at considering a slight increase in the taxes that are charged to drivers at the pump. Still, Kile said Tuesday that a modest increase in the gas tax would not generate enough money to compensate for the difficulty of approving it.

"The staff of the Joint Committee on Taxation (JCT) estimates that a one-cent increase in taxes on motor fuels — primarily gasoline and diesel fuel — would raise about \$1.5 billion each year for the trust fund," Kile said. "If lawmakers chose to meet obligations projected for the trust fund solely by raising revenues, they would need to increase motor fuel taxes by an amount between 10 cents and 15 cents per gallon, starting in fiscal year 2015."

President Obama has proposed that lawmakers use approximately \$150 billion from a corporate tax reform package to boost the Highway Trust Fund's coffers. Obama included the proposal in a draft of a four-year, \$302 billion transportation that he sent to the Hill last week, but it has little chance of being enacted.

The Highway Trust Fund is normally filled using revenue that is collected by the gas tax, but receipts have been outpaced by expenses in recent years as cars have become more fuel efficient and U.S. residents drive less frequently than they did in previous generations.

Kile said Tuesday that lawmakers would have to transfer money regularly if they did not adjust the funding levels or finding new sources of revenue to pay for transportation projects.

Senators expressed an eagerness to consider new funding options, though few seemed eager to embrace Kile's recommendations for increasing the gas tax.

"In my committee, we have heard of a number of bipartisan revenue options that could fund a long-term bill," Senate Environment and Public Works Committee Chairwoman Barbara Boxer (D-Calif.) told members of the Finance panel.

"Some of these options include replacing a cents-per-gallon gas tax with a sales tax on the wholesale price of gasoline and diesel, as Virginia has done. This plan was signed by a Republican Governor. Indexing and increasing the federal gas and diesel taxes, which have not been raised in over 20 years. This is supported by the U.S. Chamber of Commerce, AAA, and the American Trucking Association, and using revenue generated from reform of the tax code," Boxer said.

Boxer noted that increasing the gas tax is opposed by most lawmakers and President Obama, however.

She said Tuesday that her committee was planning to mark up a transportation bill next week, even as lawmakers struggle to find a way to pay for it.

"Our bill is current funding plus inflation," Boxer said. "We need you to figure out how to pump \$18B into the Highway Trust Fund."

Senate Finance Committee Chairman Ron Wyden (D-Ore.) did not take a position on the funding source during Tuesday's hearing.

But Wyden said he was against the idea of passing a short-term extension at the Sept. 30 deadline for reauthorizing the current surface transportation funding bill, which is known as Moving Ahead for Progress in the 21st Century (MAP-21).

"It would be a tragic mistake to let highway funding become another stop-and-go extender," Wyden said.

Republicans on the Senate Finance Committee said they were all for passing a new round of transportation funding, as long as it could be paid for.

The top ranking Republican member of the panel, Sen. Orrin Hatch (Utah), said he was opposed to so-called repatriation ideas that involve increasing taxes on overseas capital to pay for transportation projects.

Hatch said Tuesday that the idea of using repatriation funds to replenish the Highway Trust Fund is "not a very good one."

Boxer told members of the Finance Committee that they had to find a solution quickly.

"It is critical for our nation to continue investing in our aging infrastructure and we must work together to find the sweet spot for a dependable, bipartisan source of funding for the Highway Trust Fund," Boxer said. "Much depends on us, and our states are looking to us to act now. Failure is not an option, and our committees must lead the way."

TAGS: Ron Wyden, Barbara Boxer, Highway Trust Fund, Fuel tax, MAP-21 Reauthorization

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