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Highway funding bill put on hold for recess

The Associated Press

6/30/2014

EDITOR'S NOTE: The following article was written Laura Litvan and posted on Bloomberg.com. The Trucker will provide updates as they come available.



"It's important for the committee to get something done, but also to get it done right," said Senator Orrin Hatch of Utah, the top Republican on the committee.

A roadwork slowdown reminiscent of the partial closure of the federal government last year is now hanging over the U.S. economy as Congress leaves town without a deal for replenishing the Highway Trust Fund.

Senator Ron Wyden, an Oregon Democrat, tried to move things along today with a bill in the Senate Finance Committee that would provide a six-month, \$9 billion infusion. His bill, funded largely by tax changes, failed to win over Republicans and the committee chose to leave for a weeklong recess without voting as they pursue a deal all sides might agree to.

"It's important for the committee to get something done, but also to get it done right," said Senator Orrin Hatch of Utah, the top Republican on the committee.

The brinkmanship is not without precedent. Congress had to pass nine brief extensions from late 2009 until mid-2012, when it finally agreed on a two-year measure for highway and mass transit programs. With the Highway Trust Fund expected to be depleted as soon as July, about 112,000 construction projects and almost 700,000 jobs await word on new federal funding.

"It is crunch time on transportation," Wyden said, adding that he's still going to work with Hatch and House Republicans to prevent a "paralyzing" halt of road projects.

The authority to levy an 18.4 cent-per-gallon gas tax that largely funds the \$50 billion-a-year in federal monies for highway, bridge and mass transit projects expires Sept. 30. The U.S. Department of Transportation last month projected that the part of the trust fund that pays for road and bridge projects will have less than \$4 billion in cash next month and will be short \$400 million sometime in August.

Tax Changes

More money is needed to ensure states can keep road construction and repaving projects going, especially after a harsh winter that undermined pavements across the U.S.

The task of getting a short-term fix is challenged by the anti-tax sentiment of many House Republicans, who have said they would reject any tax increases, a core part of Wyden's proposal.

Wyden did receive some news that may make it easier to bridge the gap.

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The nonpartisan Congressional Budget Office told him in a letter released today that it would cost just \$8 billion to keep the trust fund solvent through the end of the year, \$1 billion less than earlier thought.

To pay for the six-month measure, Wyden is proposing to change mortgage-interest deduction documentation in a way that he says can raise \$2.2 billion over 10 years through better tax compliance. Banks would be required to report more information to the IRS about mortgages, including the unpaid balance and the address of the property.

Retirement Accounts

The biggest chunk of money is projected to come from a provision that would force people who inherit IRAs and other retirement plans to take required taxable distributions over five years. Under current law, they take those payments over a longer period that is linked to their life expectancy.

"Simply put, there is no way tax hikes to pay for more spending will fly in the House," House Ways and Means Committee Chairman Dave Camp, a Michigan Republican, said yesterday.

Camp said this week he will offer a "different approach" that will extend the trust fund's solvency past the Dec. 31 date in Wyden's plan. Both Wyden and Hatch said today they aim to work with him on a bill that can attract enough votes to clear both chambers.

Olive Branch

Early today, Wyden altered his proposal in ways he said extended an "olive branch" to Republicans. He did away with a proposed tax increase for heavy vehicles and said he is also willing to curtail a fuel tax on liquefied natural gas.

He put his proposal on hold while talks continue, and said he will bring the group back together the week of July 7 if there's a broader compromise.

The foot-dragging in Congress is occurring just as the U.S. economy contracted in the first quarter by the most since the depths of the last recession. The U.S. Federal Highway Administration estimated in 2007 that every \$1 billion in federal spending, plus a 20 percent state share, on highway construction supported 34,779 jobs, including 11,921 construction jobs. The agency hasn't updated the estimate since.

The chief executive officer of Lindsay Corp. (LNN), an Omaha, Nebraska-based provider of irrigation systems, told investors yesterday that "everybody is talking about" the situation with the trust and that a multiyear bill would be more beneficial.

Long-Term Plans

President Barack Obama in April sent to Congress legislation that would provide \$302 billion for road and transit projects over four years. The Senate Environment and Public Works Committee last month approved a six-year measure to provide the same amount of money annually as the current two-year, \$105 billion bill expiring in September, plus inflation. The measure doesn't address funding and neither it, or the Obama proposal are even being considered by lawmakers today.

"Something will happen, it's just the matter of timing, it has to take place," Lindsay CEO Richard W. Parod said on an earnings conference call in response to an analyst's question.

Congress has for the most part given up on trying to reach a long-term funding solution before Sept. 30, and is instead focusing on short-term fixes to buy time.

While the debate is partly driven by the anti-tax demands of House Republicans that has also led to a series of crisis points over raising the debt limit last year, they have shown a tendency to cave in this election year. In February when House Speaker John Boehner pressed them to simply suspend the U.S. debt limit until March 2015 after insisting in earlier debates on the debt ceiling that they be linked to spending cuts.

Averting Crisis

On highway funding, the Obama administration is stepping up the pressure.

In a June 19 letter, Transportation Secretary Anthony Foxx told state highway officials the shortfall in the trust fund is "dire" and that DOT will begin to delay some payments to states in about a month.

"We understand and regret that such measures may be necessary as the

current construction season is ongoing," Foxx wrote. "We have and will continue to sound the alarm bell that hundreds of projects and thousands of jobs are at risk."

The Congressional Budget Office in April warned that the federal government may have to delay some payments to states in the second half of 2014.

A short-term fix may not completely avert a crisis, according to a report from Fitch Ratings.

"If the Federal Highway Trust Fund receives an incremental increase in funding or relies on a non-sustainable revenue sources, we believe it will likely be too small and too short term to relieve the pressure on the country's infrastructure needs," Fitch said in the June 24 analysis.

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