ALLIANCE FOR INNOVATION AND INFRASTRUCTURE

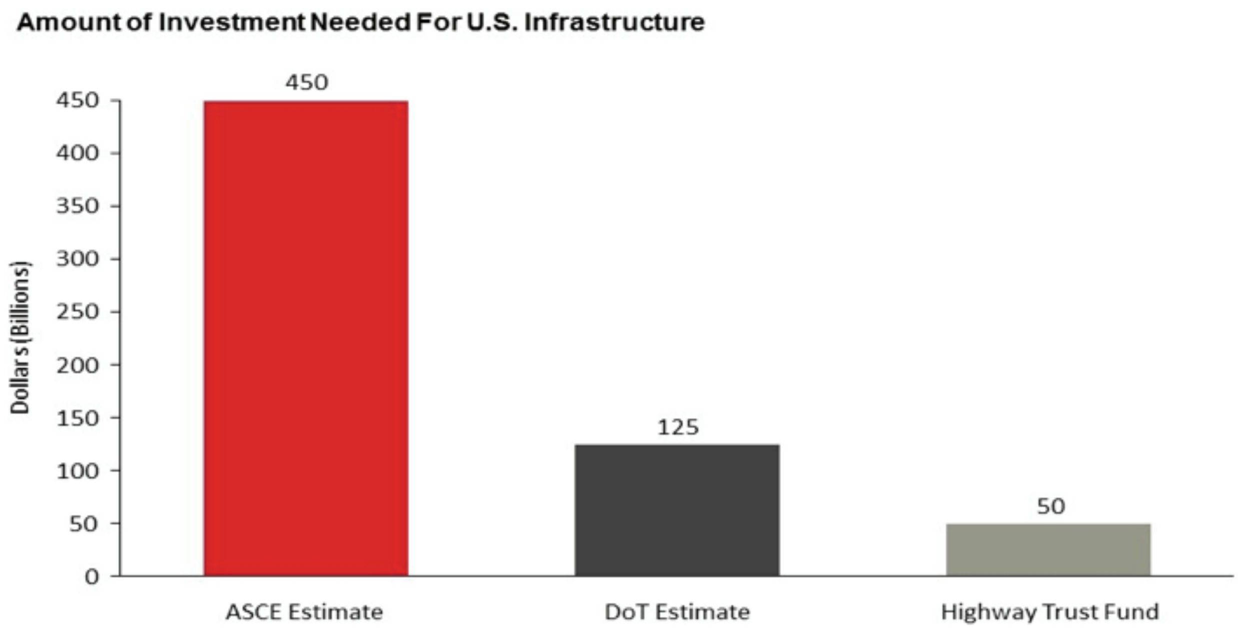
Policy Update: Time Running out for Highway Funding Bill

America's crumbling roads, bridges, and highways are far more than an eyesore – they are a safety hazard and a detriment to the economy. While many factors contribute to this state of disrepair, one of the primary causes is the lack of sufficient investment. This is becoming increasingly problematic, as the Highway Trust Fund (HTF) no longer collects as much as it is obligated to spend to meet infrastructure needs.

Congress has spent months, if not years, looking for a more sustainable funding mechanism to shore up the fund. Some of the more frequently discussed ideas are increasing the federal fuel excise taxes, using revenue raised from an overhaul of the U.S. tax code, especially as it relates to multinational corporations, or devolving more of the decision-making and financial responsibility to the states while eliminating or reducing the federal fuel excise taxes. The current lack of agreement over how to fund highway programs has led to different approaches in the U.S. House of Representatives (House) and the U.S. Senate (Senate).

In July, the Senate passed a six-year bill authorizing highway programs through 2021. The Senate passed legislation included a number of unrelated revenue provisions to cover the cost of authorized spending through 2018, like selling oil from the Strategic Petroleum Reserve and reducing interest rates paid by the Federal Reserve. The rational is that this approach creates relatively long-term certainty, while also buying three years to find the funds for the latter three years.

The Highway Trust Fund Falls Far Short Of Necessary Infrastructure Investment



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Most recently, without agreement on a long-term bill between the House and the Senate, Congress extended the highway program's authorization through the end of October. As the end of October draws near, the House Committee on Transportation & Infrastructure drafted a bipartisan bill to reauthorize the program through 2021, which was passed out of the committee on October 22, 2015, and the full House five days later, on October 27.

Outlook

There is little chance of a long-term authorization, like the six-year bill passed by the Senate or the House Transportation & Infrastructure committee, becoming law by the end of the month. However, many in Congress understand that short-term extensions create uncertainty for states and project developers and stall much needed infrastructure improvements. This creates an impasse, whereby lawmakers will likely look to pass another short-term extensions to create time to agree on a longer-term bill.

Further complicating matters is that unlike the Senate, the House has not reached an agreement regarding how to pay for a long-term highway bill. While the Transportation & Infrastructure committee agreed to a bipartisan framework on what programs should be authorized and how much funding each should receive, the House Committee on Ways & Means is responsible for identifying where the funding to pay for these programs will come from – a tall task.

Ultimately, the full Congress must decide whether they are willing to pass a bill that is funded through a series of one-time revenue raising provisions, like that passed by the Senate – which would lead to a similar scenario down the road – or shore up a dedicated revenue stream sufficient to cover the entire costs of the highway program for the foreseeable future.

One thing is certain, if an extension is not passed before the clock strikes midnight on Halloween, many infrastructure projects will be put on hold.

The Highway Trust Fund: A History, Analysis, Discussion and Assessment for Improving Solvency provides a more in depth background and history on the HTF, an analysis on the fund's spending and revenue projections, and some ideas on how to make the fund more sustainable.

The Alliance for Innovation and Infrastructure (Aii) is an independent, non-profit alliance focusing on infrastructure innovation through awareness and education.