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RAILCET BLOG    **Surface Transportation Investment Legislation Moves Forward**

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Last week at a transportation conference sponsored by the Washington Post Secretary Ray LaHood and John Mica as well as a host of transportation experts were in agreement that America is falling way behind in transportation investment. Our competitiveness as a nation is at risk. How bad is it? The US population will grow by 100 million between now and the middle of the 21<sup>st</sup> century—a 30% increase. The American Society of Civil Engineers estimated \$1.7 trillion is needed between now and 2020 for infrastructure investment to stay even. The Urban Institute put the price tag \$2 trillion. Last year 80 experts led by former Secretaries Norman Y. Mineta and Samuel K. Skinner called for annual investment of \$262 million. Against these daunting numbers where do we now stand with the struggle in Congress to reauthorize the Surface Transportation Act?

There is some progress. In the face of the budget deficit, earlier in the year there was Tea Party pressure to cut infrastructure transportation spending along with all other accounts. A cutback of about 30% from current spending levels passed the House. The Senate was never pleased with this low number and it appears the House is relenting and we are moving toward a more responsible program.

**The House** – The Ryan Budget Resolution that passed the House, limits spending to gas tax receipts rather than the SAFETEA-LU authorized levels. That gas tax generates about \$38 billion per year (as opposed to the Mineta-Skinner call for \$262 billion a year). The current authorization (which has been extended 9 times) permits about \$50 billion a year in trust fund spending. Chairman Mica has been working hard behind the scenes to set aside the House passed budget resolution and to fund a full six year bill at current levels. Mica has essentially won the point. The Speaker and House Republican Leadership have authorized Mica to seek a fully funded six year bill. This takes a minimum of \$15 billion per year over what the projected gas tax yields over the 6 year period. The big question is where will the money come from? Since mid-September Speaker Boehner has been hinting at financing the trust fund from fees generated by a large increase in domestic oil and gas exploration as well as new taxes on the oil and gas industry in exchange for increased drilling. The increased drilling would include the Alaska Arctic. Senior Democrats are saying increased exploration as a source of revenue for transportation investment would be a deal killer.

Mica and Boehner have both recently indicated there were “complications” with the oil and gas approach. Among other things, new drilling rights are a onetime fee. Further on a first cut at the Congressional Budget Office, the entire energy package apparently did not score at the \$15 billion a year over 6 years necessary to close the shortfall. Clearly, the search is on for

other sources of revenue. The House has until March, when the latest extension expires, to resolve the issue of offsets.

**The Senate** – Earlier this month, Senate EPW Chair Barbara Boxer said that if Members of the Finance Committee can find the \$12 billion per year offset she seeks, she will report out a 2 year bill “before Halloween” (which seems appropriate). It is reliably rumored that Finance Chair Baucus and senior Republicans Grassley and Snowe have identified the offsets for a two year bill. That would clear the way for Boxer and Ranking Republican Inhofe to fully finance the trust fund plus inflation for two years. It has also been reported that both Boxer and Inhofe support the supercommittee as the vehicle to increase the funding for infrastructure investment

**House – Senate Conference?** While the present extension of the highway/transit trust fund runs through March, my guess is that Boxer will move her 2 year bill quickly. It will be merged with a Rail Title (Senate Commerce Committee) and Transit Title (Senate Banking Committee) before it reaches the Senate Floor. I believe there is a good prospect the bill will get through the Senate this calendar year—and await the House. If things break right Chairman Mica should be able to bring a full bill to the Floor of the House by early next year. The House-Senate Conference will be lively!

**Conclusion** - As Congress grapples with the massive deficit this year, keeping spending at current levels will be something of a victory. However, America will not remain competitive if the infrastructure crisis deepens. In addition to streamlined project approval and new ways to attract public- private partners (P3s), we must find substantial new revenues.