

Highway Fund Shortfall May Halt Road Projects

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WASHINGTON — An important account in the federal Highway Trust Fund will run out of money this month, a situation that could hamper completion of road and bridge construction projects across the country, Transportation Secretary Mary E. Peters said on Friday.

Trust Fund Fact Sheet (dot.gov) Because the trust fund's highway account is draining away, the Transportation Department will have to delay payments for projects, Ms. Peters said at a news conference. Since money from Washington typically pays 80 to 90 percent of the cost of federally aided road work, states with shaky finances may have to consider curtailing projects.

Ms. Peters said her department would begin to dole out money from the fund each week on a prorated basis. For instance, if there is enough money to cover only 80 percent of the payment requests the department receives for federally financed local projects, the agency will pay only 80 percent of each request initially, making up the difference later.

“Time and again, the president has warned Congress of the pending shortfall and submitted fiscally prudent budgets to close the gap,” Ms. Peters said, in remarks that reflected the political nature of the long-running debate over how to pay for road building.

The fund is financed by federal excise taxes on motor fuel, 18.4 cents a gallon on gasoline and 24.4 cents a gallon on diesel. But the fund's highway account is being rapidly depleted because for months Americans have been reacting to the high price of gasoline by driving less, Ms. Peters said. In May, for instance, vehicle-miles were down 3.7 percent from a year earlier.

Not many months ago, federal officials expected the highway account to have about \$4 billion by Sept. 30, the end of the federal fiscal year. Last Oct. 1, the trust fund had \$8.1 billion in the bank, transportation officials said, but by Sept. 30, its expenses will have exceeded its income by \$8.3 billion, creating a \$200 million gap. (The Highway Trust Fund also has a much smaller account to finance mass transit projects, but it is in surplus at the moment.)

The Transportation Department expects to have enough money to make all payments to the states for the second week of September but enough for only about 64 percent of the payments the third week, said Brian Turmail, an agency spokesman.

Then, with a regular infusion of two weeks' worth of gasoline-tax revenue from the Treasury, the Transportation Department will have enough money to make 88 percent of its payments in the fourth week of September — except that it will have to first make up payments it could not meet earlier in the month.

Thus, as states wind down the busy summer construction season, their transportation officials can anticipate longer and longer delays in getting payments from Washington, Mr. Turmail said.

State transportation officials expressed alarm. The money shortage will have “grave repercussions for the states, for hundreds of thousands of workers in the construction industry and the driving public,” said John Horsley, executive director of the American Association of State Highway and Transportation Officials.

Contractors were also worried. “Each week that it goes on, it gets more serious,” said Brian P. Deery, senior director of the Associated General Contractors of America’s highway and transportation division. At some point, he said, some states may have to tell road contractors that they cannot pay them and that “we’d like you to continue working, but we understand if you have to stop working.”

In July, the House passed a bill that would use \$8 billion of general federal revenue — from income and other taxes, not the dedicated motor fuel tax — to finance highway projects. The measure has not gained much support in the Senate, and until Friday the White House had been hostile to it. But Ms. Peters said the administration now endorsed the measure because “immediate action” was required to ensure that the states did not suffer.

Another possible solution would be to transfer money to the highway account from the account that the trust fund maintains to finance mass transit. But lawmakers from large cities that rely on trust-fund aid for their transit systems could be expected to resist such a move.

For the moment, Republicans and Democrats were blaming each other for the problem, which comes as the economy is in trouble and the election season is intensifying. The administration has accused the Democratic-controlled Congress of loading transportation bills with pork barrel projects that virtually invite President Bush’s veto.

But Democrats accuse the Bush administration of “nickel and diming our degrading roads, bridges, highways,” as well as mass transit, as Senator Charles E. Schumer of New York put it on Friday.

The issue is likely to be on a front-burner when Congress returns, as Representative James L. Oberstar, the Minnesota Democrat who heads the House Transportation and Infrastructure Committee, signaled on Friday. “Given that the United States has lost more than 600,000 jobs this year, and the unemployment rate is the highest it has been in five

years, we cannot afford to lose one more family-wage construction job,” he said in a statement.

Whatever Congress does in the short term, some profound policy issues will have to be addressed at some point. The shift to smaller, more fuel-efficient cars in an era of expensive gasoline is the very trend that is helping to deplete the highway fund