

## **Jackson: Congress lacks the will to solve transportation funding problem**

May 11, 2014

BY HERB JACKSON

RECORD COLUMNIST

The Record

They know the truth, they just don't know what to do about it.

Officials in Trenton and Washington know that the way they have paid to maintain and expand roads, bridges and mass transit for decades no longer works. For the federal government, the gas tax began generating less revenue than Congress wanted to spend in 2008, and creative financing or just adding to debt have been used to fill the gap since then.

With the latest multiyear national transportation law due to expire this fall, Republicans and Democrats on the U.S. Senate Committee on Environment and Public Works say they will release a bipartisan agreement this week that would keep financing flat, with only an increase for inflation.

That's the easy part. The Senate Committee on Finance has the hard job of finding as much as \$100 billion in new revenue to pay for a six-year renewal. Even if that happens, spending on maintenance and repairs would eat up a bigger part of the program, while major upgrades become rare.

"Shortsightedness has left us with a broken and increasingly second-rate transportation system ... mainly because of the high political costs associated with proposing any kind of revenue increase," Jay Rockefeller, the West Virginia Democrat who heads the Senate Commerce, Science and Transportation Committee, said at a hearing last week.

While some conservatives are saying the time has come for transportation spending to be cut, there are Republican senators joining Democrats in arguing that keeping the program is a national priority.

There is just no agreement on how to pay for it.

The Obama administration's plan uses corporate tax "reform" that would require multinational companies to pay taxes on profits parked overseas. But any tax increase is not likely to advance.

"We should have a robust discussion as to how our tax system should deal with overseas earnings," Sen. Orrin Hatch of Utah, the top Republican on the Finance Committee, said at a hearing last week. "That discussion should take place in the context of a broader debate about tax reform, not as part of an ad hoc effort to pay for a highway bill."

Broader tax reform will not happen this year, everyone agrees. Yet the clock is ticking, and sometime this summer the U.S. Department of Transportation says the Highway Trust Fund will be tapped out and payments to states, mostly reimbursements for projects already under way, will be reduced or suspended.

"We've got to find a way to pay for it," said Rep. Bill Pascrell Jr., a Democrat from Paterson and member of the Ways and Means Committee. "My feeling is that an increase in the gasoline tax should be on the table, as well as giving states the authority to provide an increase in tolls."

But with the interstate highway system now complete, states could be forced to play a bigger role.

"A straightforward solution ... would be to reduce spending to match current revenues," Chris Edwards, tax policy director at the Cato Institute, said at a Senate Finance Committee hearing last week. "State governments would be free to fill the void as they choose."

In New Jersey, the state Transportation Trust Fund is under similar strain, and Governor Christie has used creative methods to finance work without raising taxes.

The best example is the Pulaski Skyway, which was recently closed for an overhaul needed to keep the 80-year-old link between Newark and Jersey City safe.

To pay for it, Christie got the Port Authority to divert money that had been earmarked for a new commuter rail tunnel to New York City that Christie canceled because of fears of cost overruns.

Last week, the head of Amtrak said one of the two 100-year-old tunnels used now by its trains and NJ Transit's would have to be closed within the next 20 years, causing lengthy delays.

The Port Authority's diversion of money to the Skyway required classifying the bridge, which ends at the Holland Tunnel, as an access road to the Lincoln Tunnel instead. That move is reportedly under investigation by the Securities and Exchange Commission.

At least since 2009, Rep. Scott Garrett, a Republican from Wantage, has sponsored a bill that would let states opt out of the federal transportation system. The STATE act, for Surface Transportation and Tax Equity, would reduce the federal tax rate by the amount states raise their own taxes, effectively keeping the money paid at the pump in the state where it is collected.

It currently has 14 co-sponsors, none of them from New Jersey.

Knowing that federal payments could be halted or reduced when the trust fund runs dry, some states have started fewer projects this spring, members of Congress from both parties said last week.

New Jersey transportation officials did not return a message asking what the state's contingency plan is in the event of a suspension of federal financing.

It could be that looming problems with the state's financing system have kept anyone from looking at the issue. Next year, the state's Transportation Trust Fund, which pays for local projects and the state's share of federally financed work, will have to be renewed, and the costs of paying off bonds issued for past projects is crowding out what's available for new work.

Christie, who attacked his predecessors' reliance on debt, originally said his capital plan for 2012 through 2016 would rely more on "pay as you go" projects financed with current revenues, like sales tax collections and tolls from the New Jersey Turnpike.

But when the economic recovery Christie predicted never arrived, the extra sales tax revenue he was counting on never materialized. Christie also steered the turnpike tolls he had said would go into the trust fund to NJ Transit, according to an analysis by the Office of Legislative Services.

But the state continued spending the same amount and filled the gap with an extra \$1 billion in borrowing through 2015, the OLS analysis said. The pay-as-you-go portion, originally projected at \$1.2 billion, ended up being just \$66 million. The state now expects to have to renew the program six months earlier than expected because it will hit the statutory debt limit.

In short, both the state and federal transportation programs are tapped out, or nearly there.

At last week's Senate Finance Committee hearing on options to fill the gap, the Congressional Budget Office offered three suggestions: spend less, raise more revenue, or transfer money from the general treasury.

With support still strong for at least the same level of spending, if not more, and taxes going nowhere, that would leave the general treasury, which already has a huge deficit.

So this problem, like commuter traffic in North Jersey, is going to be around a while.