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Highway funding crisis could hurt states

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Idaho payments for GARVEE projects are probably not in danger, even without a bump in gas taxes.

By CURTIS TATE — STATESMAN WASHINGTON BUREAU

WASHINGTON — Idaho relies on federal highway funds for more than two-thirds of its annual capital spending on bridges and highways.

That money, about $275 million annually, also goes toward paying off the state’s long-term debt stemming from a nearly decadelong statewide road-building program.

The federal highway trust fund will run out of money by 2015, which will have a “devastating impact” in states that rely heavily on federal funds for their road maintenance and construction needs, transportation officials told lawmakers Wednesday.

To preserve the fund, road-builders and engineers, state transportation officials and the U.S. Chamber of Commerce are pleading with Congress to raise the federal gasoline tax for the first time in 20 years.

Transportation funding has brought Democrats and Republicans together in the past, but the parties are now deeply divided over fiscal policy, including increases to taxes that fund infrastructure. If Congress doesn’t take action, some warned, states will feel the pain.

“We have to act,” said Sen. Barbara Boxer, D-Calif., the chairman of the Senate Environment and Public Works Committee. “The country is counting on us.”

The fund typically supports about $40 billion a year in spending on highway and transit programs nationwide. But the Congressional Budget Office projects that in 2015, the tank will be empty.

“We are facing an epic crisis,” Greg Cohen, president and CEO of the American Highway Users Alliance, told the Senate committee.

The current transportation bill expires in about a year, and getting a new one through a Congress split on practically everything could be a tough haul.

It took three years to pass the current bill, which only lasts two years. Transportation funding bills in the past typically covered five to six years.

Idaho is banking on federal dollars to keep coming for at least the next 20 years to pay off its $857 million in highway construction bonds backed by future federal highway payments. By 2015, the state’s annual bond payment will be about $59 million — about 21 percent of Idaho’s annual federal highway funds.

“The Idaho Transportation Board is committed to using the states’ federal funding first to pay the GARVEE (Grant Anticipation Revenue Vehicle) debt,” said ITD spokesman Jeff Stratten.

If the flow of federal highway dollars does slow in 2015, the state might have to postpone or cancel some highway and bridge projects, Stratten said.

LOSEING TO INFLATION
Congress hasn’t touched the 18.4-cents-a-gallon federal gasoline tax that has supported the highway trust fund since 1993. Idaho’s 25-cents-a-gallon state gas tax has not changed since 1997. In 2009, the Idaho Legislature rejected Gov. Butch Otter’s plan to raise the gas tax to pay for road upgrades and maintenance.

The fund has lost more than a third of its buying power because of inflation. Americans were driving less during the recent recession. And fuel economy has improved, meaning less tax money collected at the pump to replenish the fund.

“It will go bankrupt a year from now,” said Michael Lewis, president of the American Association of State Highway and Transportation Officials.

To head off that scenario, the CBO estimates that the tax needs to be increased by at least 10 cents a gallon and indexed to inflation.

“We all agree that we have to pay more,” Cohen said.

**INCREASING TAXES?**

But tax increases are a touchy subject. Most Republicans in Congress have signed pledges not to raise any taxes, and many in both parties balk at the prospect of asking voters to pay more.

“It’s not fair or reasonable for middle-class families to endure a net tax increase,” said Sen. David Vitter, R-La., the ranking member of the committee.

But taxpayers are paying the bill anyway. The highway fund hasn’t had enough money to cover what states need since 2008, so Congress has bailed it out with more than $50 billion in general revenues. With the government grappling with mandatory across-the-board spending cuts known as sequestration, “those days are over,” Boxer said.

In the meantime, states have raised their own gas taxes, replaced them with sales taxes and sought private-sector financing to meet their needs. Others are experimenting with toll roads or fees based on miles driven.

“The states are demonstrating great leadership,” Boxer said.

States on average rely on federal funds for half their annual capital spending on bridges and highways. Ten states count on federal funds for more than 70 percent of such spending, according to the American Road and Transportation Builders Association.

Idaho receives 68 percent of its state road money from the feds.

In South Carolina, federal funds make up 79 percent of state road and bridge spending. In Alaska, it’s 93 percent. The two states have the lowest gasoline taxes in the country.

Every state’s economy is interconnected by roads, especially the interstate highway system. But the highways are reaching the end of their life cycle and require major repair and reconstruction. States are counting on lawmakers to come through.

“The states alone cannot solve our transportation and infrastructure issues,” said Greg DiLoreto, president of the American Society of Civil Engineers.

cstate@mcclatchydc.com; Twitter: @tatecurtis

Statesman reporter Cynthia Sewell contributed.

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