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Oberstar Proposes Placing \$130 Billion of Treasury Bonds in Highway Trust Fund

House Transportation and infrastructure Committee James Oberstar, D-MN, is considering a plan that calls for loaning \$130 billion in U.S. Treasury Department bonds to the Highway Trust Fund to increase spending on highway and transit projects over the next few years. The money would be paid back to the Treasury from an increased gas tax or other transportation-specific revenue source beginning after four years.

Oberstar floated the proposal last Friday during a House T&I Committee oversight hearing on how well states and transit authorities are spending funds they received last year from the American Recovery and Reinvestment Act. ([see March 26 AASHTO Journal story](#)) The chairman has been exploring ways to pay for a \$500 billion draft six-year surface transportation reauthorization bill the House Highways and Transit Subcommittee approved last summer.

Under terms of the latest proposal, Oberstar said an increase in the federal gasoline and diesel taxes would not be needed for four years if the Highway Trust Fund were able to borrow \$130 billion from the Treasury. The bond proceeds would not all have to be deposited upfront, Oberstar noted, but rather added over the four-year period to reimburse states and transit agencies for federally subsidized construction projects and capital purchases.

By the time a fuel tax would take effect, "we'll have made the investments, have the projects underway, we'll be creating a million jobs a year, and the economy will be in recovery," Oberstar said. "And that would certainly be a time to increase the user fee."

While two national commissions chartered by Congress to examine revenue needs for the Highway Trust Fund have concluded increases in the fuel taxes are necessary immediately, President Barack Obama has said since taking office in January 2009 that he opposes increasing the taxes during a period of high unemployment. The last highway and transit authorization, known as "SAFETEA-LU," expired Sept. 30, 2009, and has been extended through the end of this year.

There is a funding gap of roughly \$140 billion between the subcommittee's draft bill and the amount of revenues projected for the Highway Trust Fund under current law. Oberstar said the recent \$19.5 billion transfer of General Fund money to the Highway Trust Fund to reimburse it for lost interest since 1998 brings the gap close to \$120 billion -- and he's added \$10 billion as a "cash cushion" to avoid a situation where the trust fund approaches insolvency due to lower-than-expected revenues (as has occurred the past two years).

The Congressional Budget Office has recently projected that the Highway Trust Fund can support \$336 billion in spending over the next six years -- far short of the level proposed by the House Highways and Transit Subcommittee and endorsed by numerous transportation interest groups. CBO estimates increasing the federal gasoline and diesel taxes would bring in roughly \$1.25 billion per year per cent. Those taxes are presently 18.4 cents per gallon for gasoline and 24.4 cents per gallon for diesel fuel.

To support current spending levels over the next six years, an immediate increase of at least 6 cents per gallon is necessary, according to CBO's numbers. To pay for a \$500 billion bill (\$50 billion of which for high-speed rail would come from the General Fund), the fuel taxes would need to go up by 15 to 19 cents per gallon.

Tennessee Lawmakers Seek More Funding Equity from Congress

The Tennessee Legislature recently approved a joint resolution ([HJR 752](#)) urging Congress to make the apportionment of federal fuel-tax revenues more equitable.

Tennessee is among about half the states that "pay far more fuel taxes into the federal Highway Trust Fund than they receive in return," the resolution contends. It seeks action by Congress to alter the distribution formulas so each state receives the revenue generated from federal gas and diesel taxes collected within its borders. It also urges Congress to consider dropping the federal highway and transit programs, letting each state retain fuel taxes collected from their motorists and be responsible for their own transportation programs.

Since the House and Senate will need to adopt a surface transportation reauthorization bill by year's end, "now is the perfect time for Congress to address this inequity," Tennessee lawmakers resolved.

Questions regarding this article may be directed to editor@ashtojournal.org.

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