



December 28, 2010

To Members of the House Leadership:

We are writing on behalf of multiple transportation organizations to raise our **strong objection** to one of the provisions in the draft of the House rules package for the 112th Congress that was released by House Republicans last week. The provision, which is on pages 10 and 11 of the draft, would hurt investment in transportation infrastructure, reduce jobs, and break faith with the American taxpayer.

The current House rule (Rule XXI, clause 3) ensures that all of the revenues that taxpayers pay into the Highway Trust Fund are used for highway and transit improvements on an annual basis. Prior to the adoption of this rule in 1998, it was common for Congress to engage in a shell game by reducing Highway Trust Fund spending so that spending elsewhere could be increased. As a result of these abuses, the balances in the trust fund soared, while much-needed infrastructure investment was deferred.

Transportation projects are frequently multi-year endeavors and are the product of a transportation planning process that must look years into the future. As such, federal highway and transit investments must be stable and predictable to allow states to maximize efficiency and public benefit in delivering transportation improvements. The House Republican-proposed rules package for the 112th Congress, unfortunately, would sever the user-financed basis of the Highway Trust Fund, and make annual federal highway and transit investments subject to the whims of the appropriations process. In so doing, this proposal would inject further uncertainty into an already destabilized U.S. transportation construction marketplace.

The combination of not having a multi-year reauthorization of the federal highway and public transportation programs – 15 months after the expiration of SAFETEA-LU – and recession-driven state budget challenges has led many states to begin scaling back their transportation programs. The U.S. construction industry is suffering unemployment levels in excess of 18 percent – more than twice the national average. Given these realities, the focus of the 112<sup>th</sup> Congress should be on enactment of a robust, multi-year reauthorization of the federal surface transportation program that creates jobs and boosts the economy, not on procedural maneuvers that will make it easier to cut highway investment.

We urge that this change to the House Rules be reconsidered.

American Association of State Highway and Transportation Officials  
American Concrete Pavement Association  
American Council of Engineering Companies  
American Highway Users Alliance  
American Moving and Storage Association  
American Public Transportation Association  
American Road and Transportation Builders Association  
American Society of Civil Engineers  
American Traffic Safety Services Association  
American Trucking Associations  
Associated Equipment Distributors  
Associated General Contractors of America  
Association of Equipment Manufacturers  
Concrete Reinforcing Steel Institute  
International Union of Operating Engineers  
Laborer-Employers Cooperation and Education Trust  
Laborers International Union of North America  
National Asphalt Pavement Association  
National Ready Mix Concrete Association  
National Stone, Sand and Gravel Association  
U.S. Chamber of Commerce

Text of the House Rules Package:

[http://rules-republicans.house.gov/Media/PDF/112-Hres5-CP\\_xml.pdf](http://rules-republicans.house.gov/Media/PDF/112-Hres5-CP_xml.pdf)

Section by Section Analysis: <http://rules-republicans.house.gov/Media/PDF/HRes%205%20Sec-by-Sec.pdf>

# THE BOND BUYER

THE DAILY NEWSPAPER OF PUBLIC FINANCE

## Critics Charge New GOP Rules Will Hurt Transportation Funding

Wednesday, January 5, 2011

By Lynn Hume

WASHINGTON — House members voted 240 to 191 Wednesday to adopt Republican-approved rules for the 112th Congress that transportation and business groups claim will hurt funding for programs and possibly curb the ability of states to finance projects with bonds.

The new rules also replace pay-as-you-go with a “cut-as-you-go” regime, but will permit taxes to be cut without offsets to the resulting revenue losses, which market participants said could be good for munis because any easing of the federal tax law’s bond restrictions results in revenue losses.

The American Association of State Highway and Transportation officials warned the new rules would hurt funding.

AASHTO executive director John Horsley said: “We are disappointed that House Republicans voted to rescind a guarantee that Highway Trust Fund revenues would be spent to fund the critical highway and transit programs that millions of Americans rely on every day. There are two deficits facing the country today: the federal debt and the deficit in maintaining the infrastructure on which economic recovery depends. In their zeal to address the first issue, the new House leadership has taken action that deepens the second.”

The rules repeal and replace provisions that were put in place in 1998 to prevent lawmakers from failing to appropriate enough money to fund transportation programs at the level set forth in authorization legislation, based on the amount of gas tax and other revenues expected to be put into the Highway Trust Fund in any given year.

In the past, lawmakers did not fund transportation programs at the authorized levels and allowed surpluses to build up in the highway fund so that spending could be freed up elsewhere in the budget.

Under the old House rules, any bill, amendment, or conference report would be out of order, and could be killed by any House member raising a point of order, if it failed to appropriate funds for transportation programs at the level set forth in the authorization legislation.

Republicans claim the new language does the same thing as the old rules but prohibits transportation spending above the authorized levels.

But transportation and business groups, as well as some lawmakers, contend the new language is ambiguous and contains major loopholes that permit the old practices to take hold once again. The new language, for example, does not appear to apply to amendments or to money transferred from the general fund to the Highway Trust Fund. Lobbyists said that doesn’t make sense because all gas tax and other revenues are transferred to the highway fund from the general fund.

During the debate on the new rules before the vote, Rep. John Mica, R-Fla., the new chairman of the House Transportation and Infrastructure Committee, engaged in a colloquy with Rep. David Dreier, R-Calif., the House Rules Committee chairman, to obtain assurances the rules would not hurt transportation funding. Dreier told Mica the new rules “do not change the way in which the underlying programs are funded.”

But the colloquy was followed by complaints from Rep. Nick Rahall, D-W.Va., who is now the ranking minority member of the transportation panel, that new rules eliminate the ties between gas and other user taxes and

transportation funding.

One lobbyist who did not want to be identified said the new rules will tighten federal funding for transportation and cause states to spend more, possibly lessening their ability to issue bonds.

Wednesday's vote on the new rules came after House Republicans approved them on Tuesday. The lawmakers rejected an amendment that Rep. Steven LaTourette, R-Ohio, had offered as a compromise.

Twenty-one transportation and business groups had opposed the new rules, warning the Republican leadership in a letter sent last month that they would "make annual federal highway and transit investments subject to the whims of the appropriations process."

As for the overall budget process, the new rules change the old pay-as-you-go rule, under which all new spending had to be offset with revenue-raising provisions. Instead, the rules would establish a cut-as-you-go regime under which legislation that would increase mandatory spending over one, five or 10 years would have to cut spending by an equal or greater amount elsewhere.

"That may turn out to be a good thing for municipal bonds," said an industry lobbyist who did not want to be identified.

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