

What does the debt ceiling deal mean for transportation?

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By Stephen Lee Davis

With just hours to spare before the deadline, the House, Senate and President Obama have agreed (in principle) on an agreement to raise the debt ceiling. While the details of that agreement are circulating in the media, the implications for the ongoing efforts to reauthorize the transportation bill — as well as funding for current programs over the next year or two — are a bit murky.

Here are a few things we know:

The Senate Environment and Public Works Committee won't be able to move their transportation bill this week, which means it won't get introduced or marked up before the August recess. The delay caused by the debt ceiling debate and the scheduled recess in August will likely move the introduction of the Senate bill and markup into September.

The Senate Finance Committee, currently tasked with finding an additional \$12 billion to fund the Senate's plan for a two-year bill, might be preoccupied with examining the details of the cuts in the debt deal. The Senate would need \$12 billion to keep the HTF solvent over the length of its two-year bill.

Perhaps restating the obvious, but at a time when Congress is trying to establish or decide what will or won't be cut, it could be more difficult to find the \$12 billion needed for the Senate's plan. That said, don't count out Sen. Baucus just yet and his ability to find this amount of money for the EPW Committee.

Other than the cuts to defense spending, the bulk of the initial cuts will come from discretionary programs (and caps on discretionary spending.) In the past, the Highway Trust Fund has never been treated as discretionary spending by Congress, which could lead to a problem if that is the case in this instance. If there are discretionary cuts to transportation, they will primarily hit the transportation programs that get funded out of general fund revenues. This could include things like high speed rail, TIGER and New Starts, among others.

The upshot is that it's still too early to determine the specific impacts, but this deal will have definite impacts on transportation over the coming two years and beyond.

Debt Deal Could Mean More Painful Cuts for Transportation

by Tanya Snyder on August 1, 2011

The House and Senate are getting close to voting on a deal, reached over the weekend, to raise the debt ceiling and cut spending.



President Obama tells reporters about the debt deal. Note VP Joe Biden slumped in the corner, jacketless. The man must be exhausted. Photo: AP

There's nothing in the legislative text that says anything specifically about transportation or the Highway Trust Fund, but it's clear that the cuts mandated in the agreement will affect all sectors. This comes after several rounds of budget cutting this spring. Although some key programs, like high-speed rail, were high-profile victims at that time, solid investments like TIGER and other livability initiatives survived. Some of the cuts were really phantom savings, cutting contract authority that was never going to be used anyway. There are no more easy cuts left to be made in transportation.

The weekend's debt deal trades a \$900 billion raise in the debt ceiling (accomplished in two stages) for \$917 billion over the next decade in discretionary spending cuts – reducing domestic discretionary spending to the lowest levels since Eisenhower was president – and including \$350 billion in defense cuts – the first defense cuts since the 1990s. Later this year, the debt ceiling will be raised by another \$1.2 trillion to \$1.5 trillion, depending on the deficit reduction recommended by a special new bi-partisan, bi-cameral committee and agreed to by Congress. Alternately, if Congress passes a balanced-budget amendment (the preference of many Republicans), that would satisfy the conditions for raising the debt ceiling.

In the absence of such an amendment, if committee members can't come to an agreement, or Congress fails to pass their recommendations, across-the-board cuts will automatically be implemented, cutting equally from defense and non-defense spending. Medicare, social security, and some other social safety net programs would be exempted.

After seeing discretionary spending cut time after time with no sacrifices demanded of the defense sector, it's remarkable that social programs, not defense, were the ones

shielded from the painful cuts. Meanwhile, by spreading cuts around to a greater number of agencies, including massive spenders like the Pentagon, each affected agency is affected less.

Still, infrastructure spending is vulnerable. The [White House fact sheet](#) on the debt deal, in the section about the automatic cuts triggered by a failure to act on the committee's recommendations, says:

If the fiscal committee took no action, the deal would automatically add nearly \$500 billion in defense cuts on top of cuts already made, and, at the same time, it would cut critical programs like infrastructure or education. That outcome would be unacceptable to many Republicans and Democrats alike – creating pressure for a bipartisan agreement without requiring the threat of a default with unthinkable consequences for our economy.

Under the normal spending cuts regime (not the nuclear option of the automatic, across-the-board cuts) the Department of Transportation is grouped with all other discretionary spending for cuts. The Highway Trust Fund is not discretionary, since it has its own funding source. Streetsblog has asked Senate staffers if any of this will make it harder for the Finance and EPW Committees to justify spending \$12 billion more than trust fund receipts, as spelled out in the Senate transportation bill – even if that \$12 billion comes from another budget item and doesn't add to the deficit. No response yet.

Another Senate staffer says that while there are not cuts specific to transportation, the cuts will be “pretty devastating to every discretionary program.”

In addition to spending cuts and the possibility of tax reform in the committee recommendations, the expiration in early 2013 of the Bush tax cuts on the rich also ensures some deficit reduction. If more savings aren't found, the president says he will veto an extension of those tax cuts. The [White House estimates](#) that would generate nearly \$1 trillion; [other estimates](#) have put the added revenue closer to \$700 billion over ten years.

In his sales pitch to House Republicans [[PDF](#)], Speaker John Boehner is trumpeting his victory in keeping tax increases at bay – and indeed, for now, President Obama's proposals to close loopholes on the oil industry and corporate jets are not in the bill. But the 12-member fiscal committee is tasked with finding deficit reductions in both cuts and revenues – teeing up another Congressional brawl over taxes later this year.