FEDERAL UPDATE:
IS THE SHIP ABOUT TO SINK?

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Navigating the Future
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Good Question
Ports-to-Plains Alliance Corridor
America’s 4,000,000-Mile Road System

- Non-Federal Aid Eligible: 75%
- Remaining Federal Aid Eligible: 20%
- NHS: 5%

>75% $
A Covenant Between Citizens and Government
Increased Revenue Led To Increased Funding
Increased Revenues

Vehicle Miles Travelled

Increased User Fee (cents per gallon)

- 1956--------3 (Eisenhower)
- 1959--------4 (Eisenhower)
- 1983--------9 (Reagan)
- 1990-------14.1 (Bush)
- 1993-------18.4 (Clinton)
HTF In Trouble
The Problem

The Highway Trust Fund’s spending is projected to exceed revenues over the next ten years.

BILLIONS OF DOLLARS

Spending

Revenues

SOURCE: Congressional Budget Office, An Update to the Budget and Economic Outlook: 2015 to 2025, March 2015. Compiled by PGPF. NOTE: Revenues include interest. Following CBO’s baseline conventions, revenue estimates reflect the assumption that all expiring taxes credited to the fund will continue to be collected.

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Congress’ Challenge

- Enact a long-term highway bill
  - 6 years

- Fix Highway Trust Fund
Options For Closing The Gap

- **Reduce Federal program by 25 to 35 percent**
  - HTF should “live within its means”

- **Increase user fees**
  - Close loopholes / Increase existing fees / Impose new fees
  - Need 10-cent gas tax increase to support current funding levels
  - Need greater increase for increased funding

- **General Fund “bailout”**
  - Transfer general funds into HTF
  - Need offsets for “budget neutrality”
  - Offsets typically controversial
Congress Knows What To Do

- Increased Federal investment
  - Goal should not be to simply sustain current funding levels
  - Increased funding needed

- Retain user fee mechanism

- Increase user fees
  - Gas Tax in near term
  - Replacement mechanism for long term

- Also need to use all “tools in toolbox”
  - But P3s not solution
Strong Support For Gas Tax Increase

BETTER ROADS LEAD TO A BETTER ECONOMY.

WWW.FIXSCROADS.COM
A Time Of Strong Anti-Tax Sentiment
Gas Tax Politically Toxic

THE PLAN:
NO NEW GAS TAX
Divert 3.5% of the General Fund into the Road Use Tax Fund

Maryland DOES NOT Need a Gas Tax Hike!
The Result

- No desire to scale back highway program.
- User fee increase not seriously considered.
- Instead Congress has relied on general fund infusions ("bailouts") coupled with "offsets" for budget neutrality.
Congress Has Opted For General Fund Bailouts To Date

Stop and go
Four years of Congressional extensions for the Highway Trust Fund

December 2010 - March 2011
March 2011 - September 2011
September 2011 - March 2012
March 2012 - June 2012
June 2012 - July 2012
July 2012 - October 2014
October 2014 - May 2015

Feels Like Lucy and Charlie Brown
July 2015----Facing A Major Shortfall Again

Paved with good intentions
Congressional Budget Office projections for the cumulative shortfall in the two Highway Trust Fund accounts, the highway account and the transit account.

Notes: 2015 numbers not included because the shortfall was less than $500 million; the trust fund cannot legally incur negative balances.
Source: Congressional Budget Office
What Did Congress Do In July?

- **SENATE**
  - 6-year authorization bill, but only 3-year HTF fix—included Ex-Im
  - Another General Fund bailout
  - Offsets controversial

- **HOUSE**
  - Did not act on long-term bill
  - Optimistic that international tax reform could be used for a 6-year HTF fix----i.e., as an offset for a General Fund infusion into HTF
  - Needed more time

- **Extension until October 29th**
  - No offset needed (HTF estimates updated)
What Has Happened Since July

**SENATE**
- “We have acted”----ball in House’s court

**HOUSE**
- Ryan/Schumer/Portman negotiations on international tax reform
- Optimism has faded to pessimism
- House regrouping
- T&I Committee working with W&M Committee to identify other offsets, which will determine length of House bill
  - Probably 3 years
- May act in October
International Tax Reform Tough Nut To Crack

- Some multi-national companies have funds stashed overseas because U.S. tax rates are too high—no incentive to bring $$ back

- One-time repatriation or part of broader international tax reform

- Controversial

- Only “big fix” on table
  - Not permanent
  - Offset for 6-year GF transfer

- Congress will still face problem at the end of the 6-year year
“It’s Déjà Vu All Over Again”
On Verge of Kicking Can Down Road Once Again
Another extension almost certain

Length of extension

- Few weeks
  - If House passes bill in October and goes to conference with Senate

- December 11th
  - If House doesn’t pass reauthorization bill in October
  - Same as Continuing Resolution Congress just passed

- Spring 2016
  - Gives repatriation deal time to gel
  - DOT has indicated that HTF might be able to support w/o infusion/offset
  - Potentially aligns with Administration’s political strategy
Political Complications

- Presidential election coming up
- Finger pointing

YOU WANNA BE IN THE DRIVER’S SEAT? YOU FIX IT!!!
Unusual Political Situation

- Significant discontent in House Republican Conference

- Speaker Boehner to resign on October 29th

- House will vote for new Speaker on October 29th
  - House Republican Conference will select its nominee this week
  - Could be high drama on October 29th

- New Majority Leader and Majority Whip to be elected in November
  - Likely to be very contentious

- DEBT CEILING EXTENSION NEEDED BY NOVEMBER 5TH
What Can You Do?

- LOCAL / STATE
  - Continue to educate people and businesses up and down the corridor on the importance of P-to-P.
  - Continue to build political support with local and state officials.
  - Continue to build strong relationships with State DOTs.
    - State funding
    - Allocation of Federal funding

- FEDERAL
  - Continue to educate Federal elected officials—emphasize local projects—emphasize 6-year bill with increased investment
  - Let them know you will “have their backs politically” on tough votes to increase user fees.
  - Generate as much positive media coverage as possible