

STUCK IN NEUTRAL

Lack of Transportation Bill Raises Uncertainty

By Charlee Beason

If your livelihood is a result of building things and you're out of work because your boss doesn't know what jobs might be coming down the pike, you may be cursing the lack of a long-term federal transportation bill.

If you can't make business decisions (like hiring employees) because your company depends on the billion dollar surface transportation industry and you don't know what's next, you may be cursing the lack of a long-term federal transportation bill.

If you just hit a big pothole on an Indiana interstate, causing damage to the rim of your car and an added burden to your already hectic life ... well, you get the picture.

Uncertainty – that's the name of the game with federal transportation funding.

Though Congress passed the Surface Transportation Extension Act of 2011 – which freezes transportation funding for highway, transit and highway safety programs at 2010 levels – in March, the latest postponement only lasts through September 30.

Is it enough time to pass a long-term bill, or will the extension pattern continue?

"It's a situation where all the transportation community is first down and 10 on their own 20 with two minutes left. Everything has to happen right. They don't have the luxury of time, money; you have to thread the needle to make this happen," relates Craig Piercy, principal at Bose Public Affairs in Washington D.C. "It's really difficult to do anything politically after September 30 (due to the election cycle), so the countdown clock has started."

An industry in standstill

The last long-term bill – Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFTEA-LU) – authorized \$286 billion for federal transportation and was enacted in 2005.

"We've been without a long-term reauthorization with federal transportation programs since the fall of 2009," explains Dennis Faulkenberg, president of APPIAN, Inc., a governmental relations firm devoted to the advancement of transportation in Indiana. "Federal transportation funding makes up 40% of our whole transportation budget. The impact is incredible; without it we would be in crisis mode."

Congressman Larry Bucshon, a freshman legislator from Evansville and member of the House Transportation and Infrastructure Committee, points to the toll that uncertainty takes on businesses.

"Continuing to extend is not appropriate. Without a bill, of course, employers can't really create jobs and work on contracts not knowing what the future is going to hold from the federal government standpoint," he says.

How did we get here?

The bills and extensions are a supplement to the federal Highway Trust Fund, which is the main source of revenue for the federal government's surface transportation programs. The biggest revenue generator for the fund is the federal gas tax, which, at 18.4 cents per gallon, hasn't changed since 1993.

People are driving less. When they do drive, they're driving more fuel-efficient cars. Both of those factors, among others, have been pushing the gas tax into a steady decline.

Bucshon affirms he won't vote to raise the gas tax to fix the funding problem.

"In my view, we need to more efficiently use the gas tax. We're going to focus on using the money that we have specifically for roads and bridges ..." he states. "We have to tighten our budget like everybody else does."

Laurie Maudlin, principal at APPIAN, argues that the solution might be in the tax.

"The congressional members are saying (that) without a gas tax increase we'll have to look at more innovative financing. But those are financing techniques – those are not funding. To fund those sorts of financial mechanisms, it comes down to taxes or tolls. Those are the options," she says.

Adds Faulkenberg, "Folks are quick to diss the gas tax, but it is the bread and butter of the highway program. It's still very reliable; we need to not throw out the baby with the bath. Highway programs, both state and federal, are funded with the gas tax."

Added wrinkle: donor state status

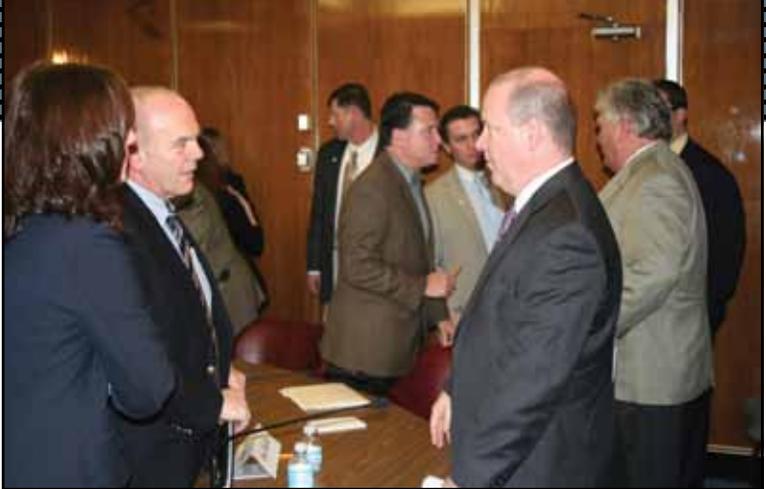
Something else that hampers Indiana's transportation funding is its status as a "donor state," which means the state pays more into the federal transportation system than it gets back in return.

Indiana receives 92 cents back for every dollar it sends to Washington for the gas tax. Other donor states (there are 28 of them) also only get 92 cents (or a little more) back. Some of the "donee states" have huge rates of returns, including Alaska (which received \$3.28 for every dollar it put into the fund in 2009) and the District of Columbia (\$5.04 back for every dollar paid). Montana, North Dakota, Rhode Island and Vermont also had return rates greater than 200% in 2009.

"A lot of us forget about that because we've made a lot of improvements, but it is lurking out there in the background, and I'm afraid it could become a huge problem for us," worries Faulkenberg.

This is another reason Bucshon says he doesn't think a gas tax increase is the answer: Indiana might not benefit.

"When it comes to taxation, I think federal taxation needs



Indiana Congressman Larry Bucshon (right, R-8th District) speaks with APPIAN President Dennis Faulkenberg following a recent field hearing in Indianapolis. (Bottom photo) House Transportation and Infrastructure Committee Chairman John Mica (far right) – joined by Bucshon (middle) and Congressman Todd Rokita (second from left, R-4th District) – addresses various transportation issues during the session.

to be low, and we need to keep money in the hands of the people working. One of the reasons I think raising the gas tax (isn't a solution): there's no push for it. Indiana, if we raise the gas tax, we may get the short end of the stick," he acknowledges.

Something 'uniquely American'

All is not lost, however. There are solutions that could come into play and ease the burden on the gas tax and Highway Trust Fund. One answer could be a vehicle mileage tax (VMT), which would tax drivers on the basis of how much they drive.

Various states have started VMT pilot programs, in which GPS machines are installed in vehicles to track how many miles are traveled. Piercy says some have concerns about privacy.

"Do you carry your smartphone around with you? It's happening already ... we become a bit unnerved to the idea that people can follow us wherever we go," he describes. "Everybody in the community agrees you've got to have VMT in the long term."

Other possible assistance could come in the form of public-private partnerships and a more favorable regulatory climate for such projects.

Faulkenberg points to Indiana's Major Moves program as one that came at a critical time, possibly leaving Hoosiers in a better position than most.

"The Major Moves program – thank God for that. What an opportune time for us to have the Major Moves cash influx that is helping to cover us at these times. It's a real positive to help tie us over," he indicates.

Unhappy 'Donors'

A total of 28 states receive less back in federal transportation funding than they provide to Washington in the form of the gasoline tax. The donor states are: Arizona, California, Colorado, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana.

Also: Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Jersey, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Utah, Virginia and Washington.



Prices at the pump include the federal gasoline tax, which provides the resources for the federal Highway Transportation Fund.

The Obama administration has been touting high-speed rail as another possible solution, particularly for heavily populated areas like the northeast. Rural areas, though, wouldn't benefit from such projects.

"We are not Europe. Our density is not like it is in Europe. We have got to figure out a way that is a uniquely American transportation system that preserves our way of life," Piercy offers.

To be continued ...

Whether or not Congress will be able to pass a long-term federal transportation bill is yet to be determined. But Bucshon hopes to see certain provisions included when that takes place.

"I want to see that we are recognizing the fact that with limited funds, we use the gas tax and the trust fund for projects to actually build roads and replace roads and bridges. I'd like to see some progress on our regulatory structure somewhere in the bill, to streamline the process," he explains.

He also indicates that he's "pretty optimistic" the House committee will be able to pass a long-term bill before the deadline.

For Faulkenberg, retooling Indiana's highway program and priorities is crucial.

"What is a positive to me is just good ol' Hoosier innovation. If the newly elected Congress is not going to provide new funding, we're going to have to do like Hoosiers do: Work with what we have and make the best of it," he observes. "We need to focus the program on highway construction and maintenance, which are the most important programs. If there's a bright spot, it will be sorting out what our highway program should be."

INFORMATION LINK

Resources: Congressman Larry Bucshon at <http://bucshon.house.gov>

Dennis E. Faulkenberg and Laurie Maudlin, APPIAN, Inc., at www.appianadvisors.com

Craig Piercy, Bose Public Affairs, at www.bosepublicaffairs.com



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