

THE BOND BUYER

Why Shuster's draft infrastructure plan is a non-starter

By

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WASHINGTON -- Rep. Bill Shuster's infrastructure discussion draft has drawn applause from some transportation groups but is not expected to gain support from Republican leaders and lawmakers in Congress.

Shuster, R-Pa., who is term-limited and must step aside as chair of House Transportation and Infrastructure Committee after this session, had hoped to see an infrastructure bill passed this year before he retires from Congress in January.

His draft proposal, which he released Monday night, would try to make the Highway Trust Fund solvent over the long term.

It would raise the federal gasoline and diesel fuel taxes by 15 cents and 20 cents per gallon respectively over a three-year period, then index them to inflation before eliminated them on Sept. 30, 2028.

The temporary increases in fuels taxes, which Shuster calls "user fees," along with other fees, would give a newly created Highway Trust Fund Commission time to prepare recommendations and accompanying legislation to be submitted to Congress to ensure the HTF remains solvent.

The draft would also establish a national, volunteer-based pilot program to demonstrate whether a per-mile user fee could replace fuels taxes as the primary revenue source of the HTF. The pilot would be administered by the Transportation Secretary in coordination with the Treasury Secretary.

Historically, the HTF has been the main source of federal funding for highways and mass transit for state and local governments. But the fuels tax revenues it receives are not sufficient to meet funding needs. The Congressional Budget Office estimates the HTF will become insolvent in the fall of 2020.

Shuster's draft proposal also would authorize the Transportation Secretary to award competitive grants to eligible applicants under the National Infrastructure Investments Program, with 30% of the grants to go to projects in rural areas.

Incentive grants would be awarded to eligible applicants that leased infrastructure assets to the private sector and certified the proceeds from the leases will be used to make other infrastructure improvements.

The Water Infrastructure Finance and Innovation Act (WIFIA) program, which provides low-cost loans sometimes used in conjunction with muni bonds, would be reauthorized and administrative burdens on State Infrastructure Financing Authorities that apply for WIFIA loans would be eased.

Lloyd Brown, director of communications and marketing for the American Association of State Highway and Transportation Officials, said AASHTO is pleased that Shuster's proposal would try to make the HTF solvent over the long term, put \$7 billion back into the HTF that was rescinded by past legislation, and streamline the federal regulatory process for infrastructure process.

He praised Shuster for keeping infrastructure issues under discussion.

"He has teed up some important issues that we'll be talking about," said Brown. The American Road and Transportation Builders Association said, "Chairman Shuster's infrastructure proposal reinforces and supports our ongoing efforts."

Craig Cohen, president and CEO of the American Highway Users Alliance, praised Shuster's efforts to fix the HTF.

"The Shuster proposal opens up an important conversation with the White House, members of Congress, and the public about raising user fees on gasoline and diesel, a subject that has been the elephant in the room whenever highway infrastructure investment is proposed," Cohen said. "Over the past 25 years, the fuel tax has lost about half of its real value due to inflation. This must be addressed if we want to keep our roads safe and efficient."

But the proposal is likely to face some serious headwinds.

For starters, it was not endorsed by Rep. Peter DeFazio from Oregon, the top Democrat on the committee who Shuster had hoped to work with to come up with a bipartisan plan.

Asked about the proposal, DeFazio told one reporter, "I haven't read it."

Also Republican leaders and many lawmakers have been adamantly opposed to hikes in federal fuels taxes and they certainly wouldn't want to raise taxes before the mid-term elections in November.

Some lobbyists compared Shuster to the former House Ways and Means Committee Chair Rep. Dave Camp, R-Mich., who dropped a tax reform bill just before he retired from Congress.

Camp's bill was a non-starter at the time it was released, but pieces of it were incorporated into the tax reform bill enacted in December – several years after it was proposed.