



## Money for Highway Repairs to Run Dry Next Year

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The U.S. government will run out of funds for highway repairs sometime next year, as improved vehicle fuel economy puts the brakes on growth in gas tax revenues, according to budget projections released on Tuesday and amid increasing calls to use infrastructure spending for job creation.

The Congressional Budget Office said the Highway Trust Fund, an account filled with gas tax revenue used to pay for road and bridge repairs, "will be unable to meet obligations in a timely manner sometime during 2013."

The projections will likely increase concern about bonds backed by direct federal payments that states and others have already sold to fund transportation projects.

Following the expiration last December of a tax credit for fuels with ethanol blends, the CBO expects highway tax receipts to shoot up by 20 percent this year, but then grow at an average annual rate of about 1 percent for the next decade.

"Although the number of miles that people drive is projected to increase as the economy grows, CBO expects the effect of that increase on fuel use to be largely offset by improvements in the fuel economy of vehicles," it said.

The office expects the trust fund balance to hit zero by 2014, but notes the government will still have obligations to pay, creating a deficit of \$136 billion from 2013 through 2022.

In his annual [State of the Union](#) address last week, President Barack Obama once again said increased capital works spending would create jobs and return the U.S. economy to full health. He suggested using savings from winding down the wars in Iraq and Afghanistan to fund infrastructure, but did not give a specific dollar amount or explain how the money would flow.

Since he first campaigned for president, President Obama has pushed for deeper infrastructure spending. But an ambitious plan for injecting hundreds of billions of dollars into transportation included in his budget proposal last year went nowhere.

The last authorization for comprehensive highway spending expired more than two years ago, and since then the federal government has doled out money through piecemeal legislation. Republicans in the U.S. House of Representatives are set to unveil on Tuesday a new long-term blueprint for transportation spending.

The lack of a longer-term transportation reauthorization, diminished funding, and other factors led some Wall Street credit-rating agencies to raise concerns last year over grant anticipation revenue vehicles, or GARVEE bonds, sold by state and local governments to finance transportation projects.

Meanwhile, states are eager for more permanent highway funding levels, given that they are charged with maintaining the roads using federal dollars.

But the Obama administration and members of both parties are reluctant to raise the gas tax and other revenue-generating ideas have stalled over the last few years.

Senator Ron Wyden, a Democrat, has suggested creating tax-credit "TRIPs" bonds, which states could issue to fund transportation projects. The bonds would give investors credits against their taxes, and Wyden estimates an authorization to sell \$50 billion of them over six years would only cost the U.S. government \$2 billion per year. But tax-credit bonds have yet to find a foothold in the \$3.7 trillion municipal bond market and many states are wary of selling them.

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