

**DAILY NEWS CLIPS****FEDERAL NEWS CLIPS**

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**LEADERS SAY CONGRESS CLOSE TO DEAL ON STUDENT LOANS AND TRANSPORTATION BILLS**

By Alexander Bolton  
The Hill  
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Congressional leaders on Tuesday moved closer to passing two high-profile bills in what could be the final burst of major legislative activity before the 2012 elections.

Senate leaders announced a deal to extend federal subsidies for college loans and floated the possibility of attaching the language to a multiyear transportation authorization measure.

Senate Majority Leader Harry Reid (D-Nev.) told reporters that he is confident the student loan legislation will pass while pegging the chances of the highway bill at better than 50-50. Both Reid and Senate Minority Leader Mitch McConnell (R-Ky.) signaled they are open to combining the bills into one package. They also cautioned that the GOP-led House, where the politics are more delicate on these issues, would have to sign off as well.

The boomlet of activity comes a week after the Senate passed a multiyear farm bill. Earlier this year, the House and Senate cleared legislation on helping start-up businesses, banning insider trading for lawmakers and reauthorizing the Export-Import Bank. Perhaps not coincidentally, approval ratings for Congress have hit 20 percent — more than double what they were during 2011, a year of multiple partisan showdowns.

The emerging dynamic is that Senate Republicans are increasingly eager to show they can work with Democrats, which hampers President Obama's strategy of running against congressional obstructionism.

McConnell touted the bipartisanship on Tuesday: "I think the Senate the last couple of months is beginning to operate like it used to ... I think that's a big step in the right direction for the institution."

Reid said the student loan issue is "worked out. The next question is, what do we put it on to make sure we can complete it?"

The White House touted the Senate deal and pressed Congress to “send a bill to the president as soon as possible.”

The bill would extend federal subsidies for college student loans. Without congressional action, the rate on loans will double from 3.4 to 6.8 percent. The dispute on the legislative effort is how to offset its nearly \$6 billion price tag. It is expected the 3.4 percent rate would be extended for one year.

An aide with knowledge of the student loan talks said Senate Republicans will accept Reid’s proposal to raise funds by changing rules for private pension plans and increasing the premiums employers pay for insurance from the Pension Benefit Guaranty Corporation. Democrats have accepted a GOP proposal to limit to subsidies to six years for a traditional four-year degree and three years for a two-year degree, according to another source.

Speaking from the Senate floor earlier in the day, Reid said it is up to House Speaker John Boehner (R-Ohio) to persuade his conference to support the roughly \$109-billion transportation bill.

“I think the chances today are better than 50-50 that we can get a bill done,” he said. “But we’re still looking at Speaker Boehner to help us get that over the finish line.”

Some conservatives in the House believe the federal government should stay out of the student loan market, no matter how the costs are offset.

Boehner’s hand was forced by pressure from the White House, congressional Democrats and the presumptive 2012 Republican nominee. The House-passed budget blueprint called for the rates to return to 6.8 percent, but after Romney embraced the 3.4 percent level, Boehner moved such a bill through the lower chamber.

Getting a highway bill done will be more challenging.

The Senate voted 74-22 in March to pass a two-year transportation measure, and many Senate Republicans are eager to get a deal this week.

“Sen. McConnell is determined to get it done, and we recognize how important it is,” said Sen. Olympia Snowe (R-Maine). “It’s been a pending issue for far too long. It’s long overdue.”

McConnell said Tuesday that putting Congress back on a productive track would help get things done next year, when Republicans could control the White House and Senate, as well as the House.

“I think it’s been a pretty good few months for the Senate from an institutional point of view, and that will really benefit, I think, no matter who’s in the majority next year,” he said.

McConnell stopped short of claiming a final deal on the student loan bill. The minority leader was stung in December when he negotiated a two-month extension of the payroll tax holiday, fully expecting it would pass the House, and was taken by surprise when Tea Party-affiliated House freshmen revolted.

Reid said there would have to be an agreement on the transportation bill by Wednesday to pass it before Congress leaves for the weeklong July 4 recess.

The highway bill would have to be posted publicly by midnight Wednesday to meet the House's three-day rule to give lawmakers enough time to review it before a Friday vote.

An aide familiar with the negotiations said a final agreement is being held up by demands from House Republicans to link it to expedited approval of the Keystone XL oil sands pipeline and legislation loosening restrictions on coal ash.

Reid might agree to guaranteeing Republicans another round of votes on the Keystone XL pipeline, but he has staunchly refused to include its authorization. The Keystone language is not expected to be in the final bill, but Republicans will use the issue on the campaign trail this fall.

A Senate Republican aide minimized the differences as "odds and ends."

The transportation authorization law will lapse at the end of the month. Boehner has said he will send a six-month extension if negotiators fail to reach an accord.

The Senate would likely pass whatever short-term transportation extension it received from the House, said a senior Senate Republican aide. It would be the 10th stopgap measure passed since the last multiyear transportation bill expired.

Transportation advocates have argued that an extension would be a death knell for transportation funding because the Congressional Budget Office has projected the fund will go bankrupt in 2013 without any additional sources of revenue. Both the House's and Senate's proposals for a new transportation bill call for spending about \$13 billion more annually than the \$36 billion brought in per year by the 18.4 cents-per-gallon federal gas tax.

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## **HIGHWAY CONFERENCEE THREATENS NOT TO SIGN COMPROMISE REPORT**

By Keith Laing

The Hill

June 26, 2012

House Democratic members of the committee that has been conferencing on a new transportation spending bill are considering not signing off on a potential compromise.

Lawmakers in both parties signaled Tuesday that a new highway bill could possibly be combined with an extension of low interest rates on college loans, in order to enable both to be approved before deadlines set at the end of the month.

But a Democratic member of the transportation conference committee told The Hill on Tuesday that the compromise might have to be approved by the panel without the support of members of his party from the House.

"I don't know what's in the possible compromise," Rep. Jerrold Nadler (D-N.Y.) said. "Democrats on the Transportation and Infrastructure Committee have been shut out of the negotiations. The meetings have been kept secret from us."

Nadler said House Democrats could retaliate by refusing to sign the report, which must be issued by the 47-member conference committee in the event of a compromise.

The committee could still report a deal if all House Republicans sign off on a proposal, along with a majority of conference committee members from the Senate.

But Nadler said he did not know if he could sign a report from the conference committee because Democrats in the House did not know what was going on with the talks "except for rumors." The complaint from House Democrats comes as senators on both sides of the political spectrum began to tout bipartisanship on the transportation talks.

"I think the Senate the last couple of months is beginning to operate like it used to," Senate Minority Leader Mitch McConnell (R-Ky.) said during a news conference at the Capitol on Tuesday.

"There's been some bipartisan stuff going on here," his counterpart, Senate Majority Leader Harry Reid (D-Nev.), said separately.

Nadler said Tuesday evening that the bipartisanship on the transportation talks was limited to the Senate.

"They've been bipartisan, so I assume they're being bipartisan in the conference," he said of members of the conference committee from the upper chamber.

By contrast, he said, "[I]n the House, we've been excluded from the beginning."

Lawmakers are expected to unveil a possible compromise on transportation funding soon if a deal is reached ahead of a June 30 deadline for the scheduled expiration of road and transit funding.

Reid said on Tuesday that such an agreement would have to be reached by Wednesday to have enough time to be voted on by both chambers of Congress.

*Originally published here: <http://thehill.com/blogs/transportation-report/highways-bridges-and-roads/234917-house-democratic-highway-conferees-threaten-not-to-sign-touted-compromise-report>*

## **HIGHWAY DEAL IN CONGRESS SEEN SPEEDING ENVIRONMENTAL REVIEWS**

By Jeff Plungis and Kathleen Hunter

Bloomberg BusinessWeek

June 27, 2012

U.S. House and Senate negotiators have compromised on ways to speed up the approval of federally funded projects in negotiations over legislation to fund highways and mass transit into next year, a lawmaker said.

“Now it’s a matter of figuring out if that’s going to work,” Representative James Lankford told reporters after members of the House-Senate conference committee on highways briefed House Republican leaders on their talks yesterday, four days before current highway legislation expires. “All of us made concessions.”

The goal of making environmental reviews of highway and bridge projects quicker has been one of the main sticking points in talks between the House and Senate. House Republicans, including many of the 84 in their first terms, have focused on cutting the length of time it takes to complete highways and bridges built with U.S. funds, estimated at an average of 13 years, according to the U.S. Chamber of Commerce.

“That’s a really big deal for us,” said Lankford, a first-term Oklahoma Republican.

The Highway Trust Fund, which enables the federal government to pay for state road, bridge and mass transit projects, may run out of money if Congress can’t agree on long-term legislation and resorts, as it has nine times already, to a temporary extension of current law.

Without a long-term bill or extension, U.S. authority to collect the 18.4-cents-a-gallon gasoline tax and spend on highways and transit will run out June 30, cutting off money to states for programs funded by the Highway Trust Fund such as safety and repairs. Thousands of construction and government workers would probably be idled.

### ***Student Loans***

Lankford said five groups were working yesterday to resolve House-Senate differences over parts of the transportation measure, which covers projects ranging from highways to mass transit to bicycle paths, and no deal would be reached if any of the five groups couldn’t agree. The fall-back position would be a six-month extension, Lankford said.

Senate Minority Leader Mitch McConnell, a Kentucky Republican, said lawmakers may combine the transportation measure with a one-year freeze in student loan interest rates, which are set to double to 6.8 percent on July 1.

“Both need to be dealt with this week,” McConnell told reporters.

### ***Long-Term Funds***

Lawmakers were pushing for a measure that extends highway funding through September 2013, said Representative Bill Shuster, a Pennsylvania Republican. That's about the timeframe of a \$109 billion measure the Senate passed on a bipartisan 74-22 vote March 14. After efforts to approve its own long-term bill fell apart, the House passed an extension of current law April 18 to push discussions to a conference committee.

"We've got to wait and see what the money is," Shuster said as talks continued. "The money is going to be the thing that drives that."

The goal is to finish by today with a final vote by June 29, the day before the funding authorization expires, he said.

Oklahoma Senator Jim Inhofe, the lead Republican negotiator, said he's confident the two chambers will reach on a deal.

The prospects are "very good," Inhofe told reporters.

Jon Kyl of Arizona, the Senate's No. 2 Republican, said yesterday a deal on combining the highway measure with the student loan legislation may come soon, without disclosing how the \$5.9 billion cost of a one-year rate freeze on student-loan interest rates would be covered.

### ***Tentative Accord***

Republicans and Democrats want to freeze student-loan interest rates for a year. The question has been how to cover the cost, and Senate Majority Leader Harry Reid, a Nevada Democrat, said yesterday that a tentative agreement had been reached on that front.

A deal could save 7.4 million students an average of \$1,000, and President Barack Obama has made this a priority since his State of the Union address, White House Press Secretary Jay Carney said in a statement.

"We hope that Congress will complete the legislative process and send a bill to the president as soon as possible," Carney said.

On highway spending, House Republicans have objected to U.S. policy that sets aside between 1 percent and 2 percent of gasoline-tax revenues for non-road projects such as pedestrian walkways and bike paths.

House Speaker John Boehner, an Ohio Republican, elevated the issue in remarks to reporters June 21.

### ***'Real Reforms'***

"We just want to make sure it's a bill that includes real reforms to ensure that taxpayer funds are paying for legitimate projects that support economic activity, not planting more flowers in beautification projects," he said.

Environmental groups and transportation advocates said they're concerned Senate Democrats may have made too many concessions on such projects, said Kevin Mills, vice president of policy and trail development at the Washington-based Rails- to-Trails Conservancy.

"They've been tremendously cost-effective," Mills said. "We're concerned there not be backtracking on these vital programs."

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## **DEALS CLOSE ON TRANSPORTATION, STUDENT LOAN RATES**

By Roberta Hampton and Thomas Ferraro

Reuters

June 27, 2012

U.S. congressional negotiators neared a pair of election-year deals on Tuesday, one for a massive job-creating transportation bill, the other to prevent a doubling of student-loan interest rates, said Senate Majority Leader Harry Reid. Reid, a Democrat, said it was possible that final bipartisan agreements could be reached on both long-stalled pieces of legislation before lawmakers leave at week's end for a holiday recess.

To make that deadline, bill text needs to be firm by Wednesday, and several elements were still "precarious" as of Tuesday evening, said James Lankford, a House Republican from Oklahoma on the negotiating panel. "It feels like we've got six different sets of plates that are spinning up there and if any one of them falls, then the whole thing is going to fall," Lankford told Reuters.

Senate negotiators reached a tentative deal to fund a one-year, \$6 billion extension of the current interest rate of 3.4 percent for new Stafford loans for about 7.4 million students, aides and lawmakers said. Assistant Senate Republican leader Jon Kyl said: "We've reached an agreement on the (student loan) bill, and the only thing that would be holding that up is the politics of the highway bill."

Senate aides said the two bills could be combined, passed together and presented to President Barack Obama to sign into law as a package within days, provided Republicans in the House of Representatives go along with it. But it was unclear if they would.

One major stumbling block remained: how to deal with House Republican demands to include accelerated approval of the Keystone XL crude oil pipeline from Canada to Texas as part of the highway bill. Obama put the project on hold this year pending further environmental review. The move riled House Republicans, who say it should be promptly approved for the good of the country.

"I think Keystone's still very much in play, even right now," Republican Rob Bishop said on Tuesday evening. "It probably will be the last issue to be settled."

Federal funding for road, bridge and rail projects - and as many as 3 million construction jobs - expires on Saturday, putting lawmakers under pressure to come to an agreement on a two-year package proposed by the Senate, or craft a short-term extension at current funding levels. Neither Democrats

nor Republicans want to be blamed for stalling the bill, a move that would hurt the economy ahead of the November 6 general election.

"I think its chances today are better than 50-50 that we can get a bill done," Reid said, adding that he needed a hand from the top House Republican, Speaker John Boehner. "We're still looking at Speaker Boehner to help us get that over the finish line," Reid said.

### **CONCESSIONS**

The starting point for talks on the transportation construction bill was a two-year, \$109 billion package passed by the Senate. Republicans have won some tentative concessions to streamline environmental reviews for certain types of road projects, and to ease proposed regulations for coal ash, a power-plant byproduct used in cement.

Lawmakers must move fast to prevent a doubling of the interest rate on federal Stafford student loans to 6.8 percent that would take place on July 1. In recent months, each side has swapped and rejected competing proposals. Under the tentative deal, \$1.2 billion of the \$6 billion needed to extend the low-interest rate for a year would come from limiting subsidized loans to 150 percent of the length of time a student attends a college. For example, the subsidy would be good for six years for those who get four-year undergraduate degrees, an aide said.

Another \$5 billion would come from the way employers compute their pension liabilities while \$500 million would be the result of changes in employer contributions to the Pension Benefit Guarantee Corporation, the aide said. Failure to extend the low rate would cost an estimated 7.4 million students an average of about \$1,000 each in added costs over the life of their college loans, the White House estimates.

Obama began cranking up pressure on Congress in April with campaign-style speeches at college campuses urging it to extend the low rate. Republican presidential challenger Mitt Romney subsequently said that he, too, believes that the rate should be renewed, but Democratic and Republican lawmakers have wrestled over how to fund it without adding to budget deficits.

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## **OPTIMISM ON TRANSPORTATION BILL**

By Kathryn A. Wolfe and Burgess Everett

Politico

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If loose lips sink ships, the transportation bill's seemingly still afloat. But with a weekend deadline looming, the needle's almost on empty.



Majority Leader Harry Reid (D-Nev.) faced nearly nothing but transportation questions during his weekly media availability Tuesday afternoon but refused to give details, even dismissing with a raised hand a reporter's question about what provisions are left to discuss.

The closest to a definitive answer on policy came when Reid was asked if the Keystone XL pipeline would be a part of the final deal. His response: "I doubt it."

Reid said people expecting a Senate bill redux will be disappointed because he is sure it "won't include everything here in the Senate." Beyond that, he said congressional leaders are "just not at a point now where we can start telling you line by line what we have."

But he was definitive about one thing: timing. The deadline for wrapping everything up can be measured in hours not days, Reid said.

"We have to have an agreement by tomorrow. Otherwise we can't get the bill done. We are very close to having everything done, but until we have everything done, nothing is done," Reid said. "I know we can pass a bill, but as I told my caucus, 'Everyone has to be very, very patient now and wait and see how the process works out.'"

The House's two dozen GOP conferees huddled in Speaker John Boehner's office for more than half an hour Tuesday evening as a pack of press waited outside hoping for big news. Instead, expectation shifted to a Wednesday announcement.

"We've got a lot of work to do tonight and into tomorrow," John Mica (R-Fla.) told reporters. Several other conferees said they are hopeful a positive conclusion is forthcoming — but realistic that failure is still a possibility.

"Things like this could fall apart in the eleventh hour at the 59th minute. But at the same time, with the progress that's been done so far, it's been pretty remarkable," Rep. Chip Cravaack (R-Minn.) told POLITICO of talks that appeared stalled just a week ago.

To stay within House standing rules, a bill would need to be introduced by Wednesday to set up a Friday vote. Since the House has to act first on the transportation bill, the Senate could either be in for a late night or work on Saturday. The other option would be a short extension.

Aides in both chambers were quiet Tuesday — except to talk about how everybody had clammed up. And senators serving on the bill's conference committee continued to trumpet progress while avoiding details.

"I think we're in very good shape right now and I don't want to get into it," said Sen. Jim Inhofe (R-Okla.).

Sen. Barbara Boxer (D-Calif.) said "we are just a few issues away and we're very optimistic." When asked whether Keystone might be part of a final deal, Boxer responded, "I am not discussing anything that we're negotiating."

Sen. John Hoeven (R-N.D.) agreed that it's a good sign for the health of the conference that people are keeping their mouths shut.

Hoeven said that “now leadership really makes the final call” on the thorniest outstanding issues, such as Keystone and coal ash. He said it is “possible” coal ash may be in the final deal.

Earlier Tuesday, POLITICO reported that Congress is considering moving the transportation bill by pairing it with a student loan bill, paid-for by something called “pension smoothing” — a \$9.4 billion proposal that’s supposed to stabilize interest rates and pension plan contributions.

That’d be enough to partially pay for the surface transportation bill, but other pay-fors would still be needed. A lobbyist familiar with the pension issue predicted that a final deal might also include an increase in premiums, to raise more money and address some concerns about heightened risk that could result from underfunding.

Negotiations about whether to combine the bills are taking place at the leadership level; on Tuesday, aides in the authorizing committees in the House said that they’d heard about combining the two bills but that they were not involved in those discussions.

And one House Democratic leadership aide said he’s “not hearing a whole lot. If there is a combo deal, I don’t know about it,” suggesting those discussions may mostly be happening in the Senate for now.

Reid said it is too early in the week to have to make a final decision on how the two provisions might be paired and much too soon for anyone to be fretting about what may or may not be included in a conference report.

“I’ve received calls from a number of my senators and people outside the Senate who have concerns about a lot of things. But they don’t know what’s in the bill. And so I don’t think anyone should have a concern about anything until they find out what’s in the bill,” Reid said. “It’s time to kind of sit still and see what the negotiators work out. Remember, it’s a complicated bill.”

In any case, discussions on the bill are proceeding apace. Earlier Tuesday, Reid pegged the chances of getting a transportation bill done as “better than 50/50,” saying “there is a possibility that we can get that bill done.”

“We’re still looking at Speaker Boehner to help us get that over the finish line. So we will see what happens,” Reid said.

Reid’s top lieutenant, Sen. Dick Durbin (D-Ill.), placed the chances at “75-25.”

Sen. Robert Menendez (D-N.J.) said the hope is to “come to a conclusion by tonight, so we can file a bill.” He said an extension might not be needed if the House can move the bill by Thursday, with the Senate following suit.

Despite the looming deadline, Boxer has remained upbeat, saying, “I think that we can get this done, yes I do.”

Boxer said she and Mica, who chairs the House Transportation and Infrastructure Committee, will be meeting tonight and may decide to hold a joint press conference this week.

“We’ll decide whether or not we’ll do it together,” Boxer said.

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## **CAUTIOUS OPTIMISM ON LOANS, HIGHWAY BILL**

By Meredith Shiner

Roll Call

June 27, 2012

Senate Majority Leader Harry Reid said Democrats and Republicans are making progress on a transportation bill and an extension of current student loan rates.

Congressional leaders were cautiously optimistic yet again Tuesday that an extension of transportation spending authority and a deal on student loan interest rates could be struck by midnight Wednesday, but several major stumbling blocks stand before an agreement, despite sunny pronouncements from negotiators.

With every hour of closed-door talks, the mood among aides shifted on whether an agreement could be reached to satisfy both House rules on how long legislation needs to be posted before a vote and the Saturday deadline for both big-ticket items.

In public statements, Senate Majority Leader Harry Reid (D-Nev.) and Minority Leader Mitch McConnell (R-Ky.) conceded that a deal on extending the current student loan interest rates, set to double July 1, is imminent. But negotiators still aren’t sure how to proceed, whether to tie the measure to the transportation bill or to move it separately if it appears that bill is flailing.

“We have to have an agreement by tomorrow. Otherwise, we can’t get the bill done. And we’re very close to having everything done, but until we get everything done, nothing is done,” Reid said Tuesday. “I appreciate the House Republicans working so well. I know we can pass a bill. But as I told my caucus, everyone has to be very, very patient now and wait and see how the process works out.

“It won’t include everything we did here in the Senate. I’m sure of that,” Reid continued before saying he was convinced it could be a good bill.

Perhaps the statement, including rare praise for House Republicans, was a warning to Reid’s rank and file who have expressed consternation about the GOP’s demands for easing environmental rules beyond changes already agreed to in the Senate’s \$109 billion, two-year bill.

Senate Democratic leaders have long expressed the opinion that House Republicans would have to come closer to their position, given the broad bipartisan vote in the Senate in March. House GOP leaders never brought Speaker John Boehner’s (Ohio) highway offering to the floor, and the 74 votes the Senate bill garnered have left many rank-and-file Democrats in no mood to give more to House negotiators.

Most of the GOP grievances are based on long-argued items not included in the Senate bill, chiefly the Keystone XL oil pipeline, but other points of contention include language easing coal ash regulations and changing the way environmental permits are processed.

Environmental streamlining changes were the focus of talks over the weekend, sources said, and have been discussed more widely. Reid acknowledged he has fielded concerns from those worried about environmental issues, but he warned that the people who are complaining haven't read the bill text — largely because it hasn't been agreed to or written yet.

"I have received calls from a number of my Senators, people outside the Senate. We have concerns about a lot of things, but they don't know what's in the bill," Reid said. "I've tried to alleviate the concerns that my Members have until they see what's in the bill. And in the meantime, as I said before, everyone has to just kind of sit still and see what the negotiators work out."

The idea that leaders will pair the transportation effort directly with the student loan effort gained momentum Tuesday, weeks after it was first floated by Reid to Republicans as a way to pay for the package.

Time is running short to extend both measures, which expire at the end of this month, and Members and their staffs are concerned about the firestorm of issues that will consume Capitol Hill on Thursday, from the Supreme Court's ruling on President Barack Obama's signature health care law to a House vote on whether to hold Attorney General Eric Holder in contempt of Congress.

Sources are worried that if a deal isn't hammered out by tonight it will cause problems on multiple fronts. First, negotiators would blow past the House Rules deadline that states any bill needs to be posted for three legislative days before the chamber can vote. Moreover, there won't be enough time or breathing room to vet major deals that affect millions of jobs in highway construction and put millions of students on the hook for a doubling of student loan interest rates.

McConnell said Tuesday that the White House has not been involved in negotiations, and some Republican aides speculated that there was division among administration officials over whether to strike a deal or let Congress fail and blame the GOP. Democrats insist that the narrative of an obstructionist Republican Party already has been set and that they are focused on making sure these important provisions do not lapse.

"We're moving toward completion this week of both the extension of the student loan rates at the current level for another year. The president's been largely uninvolved in that, but Sen. Reid and I have an understanding that we think will be acceptable to the House," McConnell said. "They may or may not be coupled with the highway proposal over in the House. That, to my knowledge, is not yet resolved as to whether that will be some kind of an extension or a full multiyear bill, but those two could end up together. Both need to be dealt with this week."

The White House released a statement praising any deal on loan rates: "We're pleased that the Senate has reached a deal to keep rates low and continue offering hard-working students a fair shot at an affordable education."

*Originally published here: [http://www.rollcall.com/issues/57\\_158/Cautious-Optimism-on-Loans-Highway-Bill-215716-1.html](http://www.rollcall.com/issues/57_158/Cautious-Optimism-on-Loans-Highway-Bill-215716-1.html)*

## WHERE DID THE SENATE GET THE EXTRA MONEY TO PAY FOR ITS BILL?

By Tanya Snyder  
DC Streets Blog  
June 26, 2012

Congressional leaders announced opaquely last week that they'd "moved forward" on a deal on the highway section of the transportation bill. That means transit, rail, and safety programs are still being negotiated. And it means the financing of the bill hasn't yet gotten the seal of approval from the House.

Still, both houses of Congress have agreed to spend more on the transportation bill than the Highway Trust Fund itself can bear. (The House gave its green light a couple weeks ago when it nixed the Broun motion to keep transportation spending to HTF receipt levels.) To overspend the HTF but still plausibly deny that they're deficit-spending, the Senate Finance Committee has done some pretty fancy footwork to offset the expenditures with other savings.

Chair Max Baucus (D-MT) squeezed blood from the stone of the U.S. budget, and many of his colleagues have lauded him as a miracle worker. But Taxpayers for Common Sense – and lots of other people with common sense – say the numbers don't really add up. The information below comes from TCS's report, released last week, on the Senate pay-fors.

Stick with me here – this is all a little convoluted, but understanding the funding is a key part of the process. While the Senate transportation bill may be a good stop-gap compared to the option of even shorter extensions, a look at the funding shows why it provides no long-term answers to the question of how to pay for transportation.

The sources of new Highway Trust Fund revenue Baucus et al came up with are:

**A transfer from the general fund: \$4.97 billion.** This is the most obvious example of deficit spending – just taking money from the Treasury to pay for transportation. That's on top of \$34.5 billion the Treasury has already coughed up in the last four years to bail out the Highway Trust Fund – something no one wanted to repeat.

**Dedication of imported car tariffs to the Highway Trust Fund: \$4.52 billion.** This revenue would no longer go to the general fund.

**A transfer from the Leaking Underground Storage Tank Trust Fund: \$3.685 billion.** TCS approves of this use of funds, since they come from the gas tax and are underspent at a three-to-one ratio. This transfer just eliminates most of the backlogged surplus.

**Dedication of the gas guzzler tax to the Highway Trust Fund: \$0.697 billion.** The government levies a fee on vehicles whose combined city and highway fuel economy is worse than 22.5 mpg (with exemptions, of course, for some of the worst offenders, like SUVs and minivans). It's transportation-related, but the tax revenues have always gone into the general fund, so this functions as another transfer from the Treasury.

**Total new HTF revenues: 13.872 billion.**

So, since the Senate proposes to take from the general fund to plug the Highway Trust Fund, they have to pay back the Treasury somehow. That's known on Capitol Hill as an "offset," to avoid deficit spending.

The principal new source of revenue to replenish the general fund is a pension stabilization provision, expected to yield \$9.394 billion. By reducing the amount companies have to contribute to employees' pensions — which are tax-free — that money will become taxable income. Even skeptics seem to agree that \$9.394 billion is probably a reasonable amount to expect from this change. But TCS notes that the Pension Benefit Guaranty Corporation (PBGC), which guarantees pension benefits when a company goes bankrupt, has a \$23 billion deficit, which they say would be a better fit for this chunk of money.

There are 10 more offsets, most of them good for a negligible amount of money, but put them all together (with the pension change) and they total \$17 billion. They include changes to arcane tax code provisions, increased enforcement of tax payment on Medicare providers and passport holders, and even a new tax on "roll-your-own" cigarette machines.

So that's enough to pay the general fund back for what the Highway Trust Fund took. But TCS says some of these represent bogus savings. For example, the government is planning to "save" \$3.627 billion by further delaying a tax change that hasn't even taken effect yet. The Senate bill would spend ten years' worth of this "savings" in little more than a year.

But that's not all! The bill also includes extraneous spending on things that don't have anything to do with transportation. Most of the non-transportation items have their own funding built in, but TCS wonders why they're included in the bill at all. They include \$3.627 billion for Gulf states' coastal restoration, paid for out of fines from the BP oil spill; \$1.4 billion for reauthorization of the land and water conservation fund, funded with oil drilling money; a change in the definition of a "small-issuer" bond, which is tax-exempt, and therefore forfeiting \$0.761 billion in taxes; elimination of the cap on water and sewer bonds; and relief from the alternative minimum tax for investors in private activity bonds (which are often used for infrastructure).

The final item under "new spending" does, in fact, deal with transportation. In fact, it's a key priority for transportation reformers: bringing the transit tax benefit up to the level of the parking benefit for commuters. Currently, the limit is \$125 a month for transit and \$240 for parking.

Putting transit commuters on a level playing field with drivers is a significant transportation goal for this bill to achieve. TCS grumbles that the way to handle the imbalance is to lower the parking subsidy, which is fair enough. But if that's not going to happen, the \$0.139 billion it will cost to raise the transit benefit to achieve parity is well worth it.

All together, whew, that's a lot of complicated math just to avoid raising the gas tax.

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