

Road Building Caught in the Fiscal Fray

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The battle over federal funding for infrastructure development has only just begun.

Legislation to avert the fiscal cliff was barely hours old before the next Congressional battle — over the debt ceiling — started to take shape. Clearly, the war over federal spending is just warming up. Debate about spending cuts, tax reform, entitlement programs and other hot-button financial issues are sure to keep federal legislators at each others' throats for months to come.

Unfortunately, infrastructure investment is stuck in the middle of this hostile legislative environment. According to the American Society of Civil Engineers, an investment of \$635 billion is needed to repair crumbling water and sewer systems across the country, while the electrical grid will call for \$107 billion over the next seven years. Further investments are required to repair airports and to update and expand U.S. ports to ensure they remain globally competitive.

Of course, this is just the tip of the iceberg when you consider the funds needed to repair the expansive U.S. highway and bridge system. According to TRIP, a national transportation

research group, 32% of the nation's major roads are in "poor or mediocre condition" and 24% of bridges are "structurally deficient or functionally obsolete." Hundreds of billions of dollars will need to be spent over the next decade to bring the system back up to standard.

Numerous studies have been done showing the tremendous cost to the U.S. economy of failing to maintain and upgrade the transportation system, as well as the potential gains to be made from investing in it. Consider a recent report by the Federal Reserve Bank of San Francisco, which contends each dollar of federal highway grants received by a state raises that state's annual economic output anywhere from \$1.50 to as much as \$8.

The coming months offer a critical opportunity. MAP-21, the short-term highway bill passed last July, is set to expire in 2014, meaning Congressional leaders will begin developing their positions and strategies for reauthorization over the coming months. Included in this will be development of proposals to prevent the

Highway Trust Fund (HTF) — which funds road projects using collections from the federal gas tax — from reaching insolvency in FY2014.

Critical decisions over long-term funding mechanisms can no longer be put off. The current funds coming into the HTF are inadequate and are only likely to shrink further as fuel economy standards continue to tighten and more hybrid vehicles hit the road. Whether it's an increase in the federal gas tax or another method, solutions must be developed to ensure the fund continues to generate revenue far into the future.

We asked several construction industry leaders to share their outlooks for the HTF and other transportation-related issues in our special report starting on page 12. Check out what they have to say, then visit [ForConstructionPros.com](#) to stay informed on the latest updates on infrastructure funding legislation as it develops. ET