# THE REPUBLICAN-LED CONGRESS' FAILURE TO REAUTHORIZE HIGHWAY AND TRANSIT PROGRAMS COSTS MORE THAN 90,000 FAMILY-WAGE JOBS

THE HONORABLE JAMES L. OBERSTAR
RANKING DEMOCRATIC MEMBER
COMMITTEE ON TRANSPORTATION
AND INFRASTRUCTURE

*Prepared by the*
*Democratic Staff*
*of the*
*Committee on Transportation*
*and Infrastructure*

October 15, 2004

# THE REPUBLICAN-LED CONGRESS' FAILURE TO REAUTHORIZE HIGHWAY AND TRANSIT PROGRAMS COSTS MORE THAN 90,000 FAMILY-WAGE JOBS

## INTRODUCTION

In January 2003, on the first day of the 108th Congress, one thing was clear – Congress must reauthorize the Federal-aid highway, transit, and highway safety programs. The deadline, enacted six years earlier, was September 30, 2003, and, after that date, these highway and transit programs would be shut down. The reauthorization of the Transportation Equity Act for the 21st Century (TEA 21) would provide critically important Federal funds for investments in our highway and transit infrastructure. Moreover, these infrastructure investments would create badly needed family-wage, construction jobs for the increasing number of unemployed workers who had lost their jobs in the recession.

Regrettably, as the 108th Congress comes to a close, the Republican-led Congress has failed to enact a TEA 21 reauthorization bill. For the past 13 months, the highway, transit, and highway safety programs have been on life support, extended by six last-minute, short-term extension acts. Throughout the two-year effort to reauthorize TEA 21, Democrats have worked in a bipartisan way to try to bridge the infrastructure investment funding gap between the House, Senate, and White House. During House consideration of the TEA 21 reauthorization bill, Democrats offered a motion to adopt the bipartisan Senate-passed funding level of $318 billion. The motion included revenue enhancements (but no gas tax increase) to ensure that the Highway Trust Fund would be self-supporting and the increased investment was fully offset and would not add to the deficit. **Although the Democratic motion would have created an additional 1.8 million jobs and $235 billion of economic activity, House Republicans rejected the motion.**

Instead, the House Republican Leadership turned their voting cards over to the White House and indicated that they would not allow a House-Senate compromise on TEA 21 reauthorization to be considered in the House if the White House opposed the bill. With this additional negotiating leverage, the White House had no interest in compromise and remained firmly committed to its zero-percent growth TEA 21 reauthorization proposal. Given the fact that not even a majority of House and Senate Republicans supported the Administration's funding proposal, the Republican-led Congress was unable to reach a funding agreement with the White House, and Congress was forced to enact an unprecedented number of short-term extensions to TEA 21. **As a result of the Republican-led Congress' inability to pass a long-term TEA 21 reauthorization act, State Departments of Transportation report that States have delayed more than $2.1 billion of highway and transit projects and caused 90,000 good-paying jobs to be lost.**

Faced with an opportunity to help create family-wage jobs and to relieve crippling traffic congestion in their Districts, Republicans chose, not their constituents, but their ideological friends at the White House.

Where Republicans have followed, Democrats will lead. A Democratic House will pass a well-funded TEA 21 reauthorization bill and send it to the President before the spring construction season starts.

## BUSH ADMINISTRATION'S SAFETEA PROPOSAL: NO INCREASED HIGHWAY AND TRANSIT INVESTMENT

In 2003, the Bush Administration proposed a $256 billion TEA 21 reauthorization bill, the Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003 (SAFETEA). The Bush Administration bill, as amended by the President's Budget request for FY2005, provides no increase for highway funding and no increase for transit funding over the next five years – not a single additional dollar of infrastructure investment. As a result, no new construction jobs would be created and sustained under this zero-percent growth infrastructure investment level. Indeed, with costs rising over the six years, the flat funding would lead to fewer jobs. The following table outlines the funding levels of the Administration's revised SAFETEA proposal.

ADMINISTRATION'S SAFETEA PROPOSAL
*(in millions)*

| Program | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | Percent Increase from FY2004 to FY2009 |
|---|---|---|---|---|---|---|---|
| Federal-Aid Highways | 33,643 | 33,643 | 33,643 | 33,643 | 33,643 | 33,643 | 0.0% |
| Transit | 7,266 | 7,266 | 7,266 | 7,266 | 7,266 | 7,266 | 0.0% |
| FMCSA and NHTSA | 663 | 1,005 | 1,026 | 1,050 | 1,075 | 1,102 | 66.2% |
| **SAFETEA TOTAL** | **41,572** | **41,914** | **41,935** | **41,959** | **41,984** | 42,011 | **1.1%** |

Moreover, the Bush Administration proposal cuts guaranteed transit investment by 18 percent from $7.27 billion in FY2004 to $5.95 billion in each of FY2005 through FY2009. Compared to the original SAFETEA proposal, the revised proposal also cuts highway and transit investment levels in the last two years of the bill. Specifically, the revised SAFETEA proposal cuts highway funding by $360 million and transit funding by $808 million in FY2009 from the original proposal.

This zero-percent proposal for highway and transit infrastructure is unprecedented. In contrast, under TEA 21, highway investment jumped from $21.5 billion in FY1998 to $31.6 billion in FY2003, a 47 percent increase. Transit investment grew even faster: from $4.6 billion in FY1998 to $7.3 billion in FY2003, a 56 percent increase. Even under very difficult budget conditions in the early 1990's, the Intermodal Surface Transportation Efficiency Act still managed to increase highway investment from $16.8 billion in FY1992 to $18.3 billion to FY1997, a nine percent increase.

In contrast, the Bush Administration's zero-percent growth proposal does not even account for inflation. Consequently, even assuming the Administration's very conservative inflation estimates, the proposal will result in an 8.0 percent cut to the purchasing power of these infrastructure investment dollars over the next six years.[1] By FY2009, real spending for Federal highway and transit investment will have fallen by almost $3.3 billion.

## BUSH ADMINISTRATION'S POLICY: IDEOLOGICAL INTRANSIGENCE AND VETO THREATS

Moreover, the Bush Administration has been unwilling to support any highway and transit infrastructure investment above the President's zero-percent growth proposal, and threatened vetoes of both the House and Senate bipartisan TEA 21 reauthorization bills.

In November 2003, 73 Members of the Committee on Transportation and Infrastructure introduced H.R. 3550, the Transportation Equity Act: A Legacy for Users (TEA LU). Based upon the U.S. Department of Transportation's estimate of the cost to maintain and begin to improve our highway and transit infrastructure, the bill authorized $375 billion for highway, transit, and highway safety programs.[2] However, the White House chose not to endorse the level of investment determined necessary by the Administration's own transportation experts. Because of White House and conservative Republican opposition to the investment levels included in TEA LU, the House Republican Leadership was unwilling to schedule the bill for consideration by the House.

In March 2004, the Committee on Transportation and Infrastructure marked up the bill (H.R. 3550) and, pursuant to a House Republican Leadership directive to appease the White House, cut funding in the bill to $284 billion. Nevertheless, on March 30, 2004, the Administration threatened to veto H.R. 3550, as amended. The Statement of Administration Policy specifically stated:

> In total, the House bill authorizes $284 billion in spending on highways, highway safety, and mass transit over the next six years, a full $28 billion above the President's request for the same period. <u>Accordingly, if this legislation were presented to the President in its current form, his senior advisors would recommend that he veto the bill.</u>[3] (*Emphasis in original*)

Despite the Administration's threatened veto, the House overwhelmingly passed its bipartisan bill by a vote of 357-65.[4]

Similarly, the Administration threatened to veto the Senate's $318 billion TEA 21 reauthorization bill (S. 1072) because the Administration opposed the increased infrastructure

---

[1] U.S. Government, *Historical Tables: Budget of the U.S. Government FY2005*, non-defense capital price deflator, p. 184-5.
[2] *See* U.S. Department of Transportation, *2002 Status of the Nation's Highways, Bridges, and Transit: Conditions & Performance Report to Congress*, January 16, 2003.
[3] Executive Office of the President, Office of Management and Budget, *Statement of Administration Policy: H.R. 3550 – Transportation Equity Act: A Legacy for Users*, March 30, 2004, p. 1.
[4] H.R. 3550, Final Passage, April 2, 2004, Roll no. 114.

investment.[5] Again, despite the threatened veto, the Senate overwhelmingly passed its bipartisan bill by a vote of 76-21.[6]

Regardless of these overwhelmingly bipartisan votes in both the House and the Senate in support of increased investment in highway and transit infrastructure, the House Republican Leadership made clear that it would not allow a House-Senate Conference to reach agreement on any TEA 21 reauthorization bill that the President would veto.

## DEMOCRATIC EFFORTS TO BRIDGE THE FUNDING GAP

House Democrats have made repeated efforts to try to bridge the gap between the House, Senate, and White House proposed funding levels for TEA 21 reauthorization.

In April 2004, during consideration of H.R. 3550, House Democrats tried to offer an amendment to increase highway and transit infrastructure investment by $37.8 billion, equal to the funding levels included in the Senate-passed bill (S. 1072). The $37.8 billion of Federal highway/transit infrastructure investment would have created an additional 1.8 million jobs and $235 billion of economic activity.[7] The increased investment was fully offset by cracking down on abusive corporate tax shelters (e.g., Enron), preventing American corporations from avoiding paying U.S. taxes by moving to a foreign country, and extending customs user fees. The amendment included no gas tax increase. The Republican Leadership, through its control of the House Rules Committee, blocked Democrats from offering the amendment. Democrats did offer a motion to recommit the bill and adopt the Democratic amendment but the motion failed on an almost straight party-line vote of 198-225.[8] *See Attachment 1.*

In May 2004, the House Democratic Leadership and the Transportation and Infrastructure Committee Democratic Leadership wrote to President Bush and stated that they believed that the Administration's proposal was wholly unacceptable to an overwhelming bipartisan majority in the House and the Senate, as evidenced by huge votes of the House and Senate in favor of funding levels considerably higher than SAFETEA. They urged the President to reconsider his proposal and

---

[5] Executive Office of the President, Office of Management and Budget, *Statement of Administration Policy: S. 1072 – Safe, Accountable, Flexible, and Efficient Transportation Equity Act*, February 11, 2004, p. 1. The Statement of Administration Policy specifically stated:

> The Administration's proposed authorization level of $256 billion over six years is consistent with the three principles listed above. We support a responsible six-year bill and support many of the provisions contained in this legislation. However, we oppose S. 1072 and the pending substitute because their spending levels are too high and they violate these principles discussed above. <u>Accordingly, if this legislation that violates these principles (such as this legislation, which authorizes $318 billion) were presented to the President, his senior advisors would recommend that he veto the bill</u>. (*Emphasis in original*)

[6] S. 1072, Final Passage, February 12, 2004, Record Vote no. 14.

[7] According to the Federal Highway Administration, each $1 billion of Federal funds invested in highway infrastructure creates approximately 47,500 jobs and $6.2 billion in economic activity.

[8] H.R. 3550, Cong. Davis Motion to Recommit with Instructions, April 2, 2004, Roll no. 113.

find common ground with Congress on realistic investment levels that would begin to address our enormous backlog of highway and transit infrastructure needs.[9]

Finally, on September 30, 2004, House Democrats offered a motion to recommit the TEA 21 extension bill to increase highway and transit infrastructure investment to the funding levels included in the Senate-passed bill. The motion was defeated on a party-line vote of 199-218.[10]

## REPUBLICAN GRIDLOCK: SHORT-TERM EXTENSION ACTS

The Administration has never publicly indicated any willingness to reconsider its zero-percent growth position. As a result, the House-Senate Conference Committee on TEA 21 reauthorization has ground to a halt, and Congress has failed to pass a long-term TEA 21 reauthorization act.

Instead, the Republican-led Congress has enacted an unprecedented number of short-term extensions to TEA 21:

- **First TEA 21 Extension Act.** On September 30, 2003, Congress passed a five-month extension to TEA 21 (P.L. 108-88). Pursuant to the extension act, the highway and transit programs would shut down on March 1, 2004.

- **Second TEA 21 Extension Act.** On February 29, 2004, Congress passed a further two-month extension to TEA 21 (P.L. 108-202). Pursuant to the extension act, the highway and transit programs would shut down on May 1, 2004.

- **Third TEA 21 Extension Act.** On April 30, 2004, Congress passed another two-month extension to TEA 21 (P.L. 108-224). Pursuant to the extension act, the highway and transit programs would shut down on July 1, 2004.

- **Fourth TEA 21 Extension Act.** On June 30, 2004, Congress passed a subsequent one-month extension to TEA 21 (P.L. 108-263). Pursuant to the extension act, the highway and transit programs would shut down on August 1, 2004.

- **Fifth TEA 21 Extension Act.** On July 30, 2004, Congress passed yet another two-month extension to TEA 21 (P.L. 108-280). Pursuant to the extension act, the highway program would shut down on September 25, 2004, and the transit program would shut down on October 1, 2004.

---

[9] Letter to President George W. Bush from Democratic Leader Nancy Pelosi, Democratic Whip Steny H. Hoyer, Democratic Caucus Chairman Robert Menendez, Committee on Transportation and Infrastructure Ranking Member James L. Oberstar, and Subcommittee on Highways and Transit Ranking Member William O. Lipinski, May 20, 2004.

[10] H.R. 5183, Cong. DeFazio Motion to Recommit with Instructions, September 30, 2004, Roll Call no. 480.

- **Sixth TEA 21 Extension Act.** On September 30, 2004, Congress passed an eight-month extension to TEA 21 (P.L. 108-310). Pursuant to the extension act, the highway and transit programs will shut down on June 1, 2005.

## SHORT-TERM EXTENSION ACTS DELAY HIGHWAY AND TRANSIT PROJECTS AND COST JOBS

According to State Departments of Transportation (DOTs), this series of six start-and-stop extension acts is having a significantly adverse effect on our Nation's highway and transit programs – it is delaying highway and transit projects and costing jobs. In late 2003, as the Republican-led Congress began passing this series of highway/transit extension acts, the American Association of State Highway and Transportation Officials (AASHTO) conducted a survey of State DOTs to assess the impacts of a short-term extension, rather than passage of a six-year TEA 21 reauthorization act. According to the AASHTO survey, 75 percent of States responding (33 of 45 States) reported that a short-term extension would delay highway projects and cost jobs.[11] Specifically, AASHTO reported:

- 18 states said that short-term extension acts, instead of a six-year highway bill, would mean $2.1 billion in project delays and the loss of 90,000 jobs;[12]

- Another 15 states said that short-term extensions, instead of a six-year highway bill, would delay projects but did not quantify the projects delayed or the associated jobs lost.[13]

- Only 11 of the 45 states responding anticipated that short-term extension would have no or limited impact on highway projects going forward.[14]

For example, the State of Missouri said, "No new projects would be started in Missouri until a long-term act is in place. We won't even consider starting our major projects until we can be assured of a long-term, reliable revenue stream. A six-month to two-year temporary fix will not provide that. Two new bridges spanning the Mississippi River and two major interstate reconstruction projects will be unfunded due to this delay in long-term funding."[15]

A number of other States have commented on the difficulties caused by a series of short-term extensions. Connecticut noted, "The impact of enacting a six-month extension of TEA 21 will have a significant and immediate impact on Connecticut's Transportation Program in Federal Fiscal Year 2004.... Due to the limited (appropriation) anticipated from only a six-month bill, Connecticut will be forced to immediately delay and reschedule project phases on 24 Federal aid projects totaling over $90.4 million that have been advertised and are scheduled for award in FFY04. Additionally, approximately 65 projects at a cost of $78.6 million could be rescheduled or delayed."[16]

---

[11] American Association of State Highway and Transportation Officials, *TEA 21 Impacts of Delay: $2.1 Billion in Projects Delayed; 90,000 Jobs Lost, February 2004, p. 3.*
[12] *Id.*
[13] *Id.*
[14] *Id*, p. 2.
[15] *Id*, p. 3.
[16] *Id*, p. 6.

Georgia responded, "A substantial amount of projects ready to let that would have been bid during the winter for the summer construction season would be delayed to wait additional funding.... As many as 90 projects totaling more than $324 million could be delayed."[17]

Nevada wrote, "We anticipate that a one-year extension would result in a potential drop in funds of approximately $12 million. This would not impact any current projects, but would affect future projects scheduled for 2005. A two-year extension (without any funding increases) would dramatically affect NDOT's ability to deliver planned projects."[18]

South Dakota commented, "A six-month extension would be disastrous. The decision to cancel the March letting must be made in January 2004. SDDOT would need to be absolutely certain by January that the new act is passed or a second six-month extension is in hand or the lettings from March through September 2004 would have to be cancelled... A one-year extension with no change in the funding allocation would result in approximately $10 million in projects to be delayed. A two-year extension with no change in the funding allocation would result in approximately $15 million in additional projects to be delayed."[19]

Indiana replied, "The immediate impact to Indiana will be significant. First, Indiana will face a reduction in its highway and bridge construction program if a short-term reauthorization is authorized at TEA 21 levels. The impacts for the short term are as follows: If TEA 21 is extended for six months at flatline levels, Indiana would be short $60 million for its planned construction program. If TEA 21 is extended for one year at flatline levels, Indiana would have a negative impact of $125 million for its planned construction program. If TEA 21 is extended for two years at flatline levels, Indiana would face a shortfall $250 million in its planned construction program."[20]

AASHTO also identified five specific impacts from the failure to pass long-term legislation:

- **Reduced Work for Consulting Engineers.** The project pipeline is contracting. Design, planning and environmental activities have been postponed and contracts are being put on hold. Engineering, planning and environmental consulting firms are cutting back.

- **Less Work for Construction Contractors and Workers.** As the project pipeline shrinks, contractors are being forced to scale back their operations, including the number of construction workers hired.

- **Fall Off in Construction Equipment Sales and Leases.** Facing the uncertainty of short-term extension acts, contractors are less willing to purchase new equipment or enter into equipment leasing agreements.

- **Long-Term, Multi-Year Projects Shelved.** Long-term, multi-year projects are being shelved. The interruption in guaranteed long-term cash flow in Federal assistance is adversely affecting the many States that utilize innovative financing techniques, such as grant

[17] *Id*, p. 4.
[18] *Id.*
[19] *Id.*
[20] *Id.*, p. 3.

anticipation note (GAN) borrowing, Grant Anticipation Revenue Vehicle financing instruments (GARVEEs), and advance construction.

- **Transit Projects Being Delayed and Services Cut.** Transit projects are being delayed and providers are being forced to cut services. The public, especially rural communities, and the elderly are feeling the impact.[21]

## CONCLUSION

Regrettably, as the 108th Congress comes to a close, the Republican-led Congress has failed to enact a TEA 21 reauthorization bill, and this failure has cost more than 90,000 family-wage jobs.

Our economy can ill-afford to lose these critical family-wage jobs. Since President Bush took office, the number of unemployed people has increased by more than two million people, or more than 33 percent. Currently, the unemployment rate for construction workers is 6.8 percent and 629,000 private construction workers are unemployed and looking for work. Moreover, since President Bush took office, family incomes have fallen across the board, and take-home pay, as a share of the economy, has fallen to the lowest level ever on record (since 1929).

Throughout the two-year effort to reauthorize TEA 21, Democrats have repeatedly sought to increase infrastructure investment and create millions of construction jobs. Faced with an opportunity to help create family-wage jobs and to relieve crippling traffic congestion in their Districts, Republicans chose, not their constituents, but their ideological friends at the White House.

Where Republicans have followed, Democrats will lead. A Democratic House will pass a well-funded TEA 21 reauthorization bill and send it to the President before the spring construction season starts.

---

[21] *Id.*, p. 2.

# DAVIS/MENENDEZ/BLUMENAUER/BAIRD AMENDMENT TO INCREASE INVESTMENT IN HIGHWAY AND TRANSIT INFRASTRUCTURE

*MARCH 30, 2004*

## $37.8 BILLION FOR HIGHWAY/TRANSIT INFRASTRUCTURE INVESTMENT

- **Increased Infrastructure Investment.** The amendment increases highway and transit infrastructure investment by $37.8 billion, including $32.8 billion for highways and $5 billion for transit. These investment levels equal the funding levels passed by the Senate by a vote of 76-21 in its TEA 21 reauthorization bill (S. 1072).

- **No New Gas Taxes.** The amendment includes the infrastructure financing provisions that were included in the Senate-passed bill. These provisions include drawing down the existing balance in the Highway Trust Fund; restoring interest to the Highway Trust Fund; eliminating gas tax evasion; and replacing the existing 5.2-cent per gallon gasohol user fee subsidy with a tax credit and directing all revenues from gasohol user fees be deposited in the Trust Fund. None of these provisions include any gas tax increases.

- **Fiscally Responsible.** The amendment fully offsets these additional infrastructure investments by cracking down on abusive corporate tax shelters (e.g., Enron), preventing American corporations from avoiding paying U.S. taxes by moving to a foreign country, and extending customs user fees.

## ECONOMIC IMPACT: CREATES NEARLY 1.8 MILLION JOBS AND $235 BILLION OF ECONOMIC ACTIVITY

- $37.8 billion of Federal highway/transit infrastructure investment will **create nearly 1.8 million jobs and $235 billion of economic activity**. Each $1 billion of Federal funds invested in infrastructure creates approximately 47,500 jobs and $6.2 billion in economic activity.[22]

- A recent national survey found that transportation construction contractors hire employees within three weeks of obtaining a project contract. These employees begin receiving paychecks within two weeks of hiring.

[22] These estimates are based on Federal Highway Administration data on the correlation between highway infrastructure investment and employment and economic activity.

## ECONOMIC IMPACT CONTINUED:

- In addition, this infrastructure investment will increase business productivity by reducing the costs of producing goods in virtually all industrial sectors of the economy. Increased productivity results in increased demand for labor, capital, and raw materials and generally leads to lower product prices and increased sales.

- This investment will help create jobs for the almost three million people who have lost jobs in the three years of the Bush Administration. This investment will specifically help the more than one million unemployed construction workers. The number of unemployed private construction workers in 2003 averaged 810,000 -- a 58 percent increase over the last year of the Clinton Administration. The unemployment rate for construction workers averaged 9.3 percent for 2003 – 50 percent higher than the rate in 2000.

## MINORITY-OWNED BUSINESS IMPACT:

- This investment will also help address the disproportionate effect that the increase in unemployment has had on people of color. The rate of unemployment in February 2004 for African Americans is 9.8 percent – twice the rate for whites. The unemployment rate for Latinos is 7.4 percent, more than 50 percent nearly one-third higher than the rate for whites.

- Under the existing highway and transit laws, as a general rule, states, cities, and transportation authorities are required to provide at least 10 percent of the amounts made available to Disadvantaged Business Enterprises (DBEs), including minority- and women-owned businesses.

## HIGHWAYS/TRANSIT INFRASTRUCTURE -- $37.8 BILLION

**Infrastructure Needs:** The cost of congestion in our Nation's 75 largest urban areas is a staggering $69.5 billion annually in wasted time (3.5 billion hours of delay) and fuel (5.7 billion gallons of excess fuel). Nationwide, the cost of congestion is likely in excess of $100 billion.

Data contained in the Department of Transportation's 2002 Conditions and Performance Report indicate that a combined Federal highway and transit program of $53 billion is needed annually to maintain our highway and transit systems in their current condition. To improve the overall condition of the systems, a combined Federal highway and transit program of $75 billion is needed each year. Under current Federal funding levels, the annual Federal investment gap is $14.2 billion to maintain our current systems and $36 billion to begin to improve the highway and transit systems.

**Ready-to-Go Projects:** According to a survey of the state Departments of Transportation by the American Association of State Highway and Transportation Officials (AASHTO), as of April 2003, the states had 2,710 projects, totaling $17.1 billion, that were ready to go to construction within 90 days if additional funding were made available.

**Davis Amendment: Provides $37.8 billion in additional highway and transit investment.**

**Economic Impact: Creates nearly 1.8 jobs and $235 billion of economic activity.**

**Equal Opportunity:** Pursuant to TEA 21, as a general rule, states and cities are required to provide at least 10 percent ($3.8 billion) of the amounts made available to Disadvantaged Business Enterprises (DBEs), including minority- and women-owned businesses.

## Offsets For Increased Highway/Transit Investment

- The amendment **fully offsets the increased infrastructure investment**. It is fully paid for and **will not increase the Federal deficit**. Instead, the increased infrastructure investment will be offset by new revenues from the following sources:

  - Cracking down on abusive tax shelters employed by corporations, including schemes used by Enron ($20.1 billion);

  - Preventing American corporations from avoiding paying U.S. taxes by moving their registration to a foreign country while continuing to do the overwhelming majority of their business in the United States ($4.8 billion); and

  - Extending customs user fees for ten years ($10 billion).

## Cracking Down on Abusive Tax Shelters

- The amendment creates a requirement that corporate transactions have "economic substance" and penalize violations. Transactions that lack "economic substance" are those transactions that have no effect on a person's economic position except reducing his or her tax burden. The amendment prevents corporate accountants from engaging in sham transactions for the sole purpose of reducing a company's tax liability. The amendment also makes a number of other technical accounting changes, including limiting the transfer or importation of built-in losses and prohibiting FASITs (Financial Asset Securitization Investment Trust). The Joint Committee on Taxation recommended these changes as a result of its investigation of Enron. On May 15, 2003, the Senate passed these provisions as part of its version of H.R. 2. However, the provisions did not become law.

## Stopping Corporate Expatriation

- The amendment prevents corporations from avoiding pay U.S. taxes by setting up headquarters in other countries on paper, while continuing to do most of their business in the United States. In these situations, which are called "corporate inversions", an American corporation is "bought" by a foreign company, but the heads of the original American corporation remain in charge of the new entity. This inversion is simply a way for corporations to avoid paying taxes while continuing to enjoy the benefits of operating and doing business in the United States. Under the amendment, when more than 80 percent of the company owners are the same before and after the "corporate expatriation transaction", the company still has to pay United States taxes. On June 21, 2002, the House voted on a motion to include these provisions in H.R. 4931. The motion failed on a vote of 186-192.

## EXTENDING CUSTOMS USER FEES

- The amendment continues customs user fees that are currently in effect. These user fees are paid by companies and individuals to compensate the government for the benefits they receive from work done by the Customs Service. The amendment extends these fees for ten years. On June 5, 2003, the Senate included these provisions as part of its version of H.R. 1308. The bill passed by a vote of 94-2.

## Total Highway/Transit Investment Increases and New Jobs Created Under Davis Motion to Recommit

### 6-Year Comparison of Funding Levels
### H.R. 3550 vs. Davis Motion
### April 2, 2004

| State | Highway | Transit | Total Increase | New Jobs Created |
|---|---|---|---|---|
| Alabama | 641,930,651 | 32,286,503 | 674,217,154 | **32,025** |
| Alaska | 377,354,764 | 7,453,434 | 384,808,198 | **18,278** |
| Arizona | 546,862,745 | 66,315,929 | 613,178,674 | **29,126** |
| Arkansas | 418,494,826 | 19,120,008 | 437,614,834 | **20,787** |
| California | 2,983,161,532 | 790,817,798 | 3,773,979,330 | **179,264** |
| Colorado | 453,677,165 | 68,286,399 | 521,963,564 | **24,793** |
| Connecticut | 480,949,177 | 62,125,892 | 543,075,069 | **25,796** |
| Delaware | 140,110,573 | 9,373,749 | 149,484,322 | **7,101** |
| Dist. of Col. | 125,288,749 | 89,914,881 | 215,203,630 | **10,222** |
| Florida | 1,496,429,489 | 234,032,310 | 1,730,461,799 | **82,197** |
| Georgia | 1,111,763,461 | 103,762,256 | 1,215,525,717 | **57,737** |
| Hawaii | 163,958,507 | 36,371,827 | 200,330,334 | **9,516** |
| Idaho | 244,433,409 | 12,426,693 | 256,860,102 | **12,201** |
| Illinois | 1,243,912,775 | 300,674,181 | 1,544,586,956 | **73,368** |
| Indiana | 811,474,429 | 59,165,463 | 870,639,892 | **41,355** |
| Iowa | 390,912,140 | 25,359,777 | 416,271,917 | **19,773** |
| Kansas | 371,083,992 | 20,121,040 | 391,205,032 | **18,582** |
| Kentucky | 549,959,335 | 36,390,607 | 586,349,942 | **27,852** |
| Louisiana | 503,561,959 | 48,157,903 | 551,719,862 | **26,207** |
| Maine | 166,682,176 | 8,575,838 | 175,258,014 | **8,325** |
| Maryland | 508,890,726 | 95,994,478 | 604,885,204 | **28,732** |
| Massachusetts | 590,275,962 | 168,290,084 | 758,566,046 | **36,032** |
| Michigan | 1,033,958,948 | 105,045,881 | 1,139,004,829 | **54,103** |
| Minnesota | 627,515,527 | 66,401,515 | 693,917,042 | **32,961** |
| Mississippi | 385,937,487 | 16,939,799 | 402,877,286 | **19,137** |
| Missouri | 747,900,357 | 61,777,797 | 809,678,154 | **38,460** |
| Montana | 314,457,025 | 8,659,265 | 323,116,290 | **15,348** |
| Nebraska | 246,016,937 | 16,462,238 | 262,479,175 | **12,468** |
| Nevada | 229,548,244 | 34,397,627 | 263,945,871 | **12,537** |
| New Hampshire | 163,515,119 | 9,350,337 | 172,865,456 | **8,211** |
| New Jersey | 834,127,766 | 285,310,078 | 1,119,437,844 | **53,173** |
| New Mexico | 313,031,850 | 18,897,469 | 331,929,319 | **15,767** |
| New York | 1,635,087,852 | 730,759,129 | 2,365,846,981 | **112,378** |
| North Carolina | 909,717,121 | 69,621,070 | 979,338,191 | **46,519** |
| North Dakota | 207,537,203 | 7,340,286 | 214,877,489 | **10,207** |
| Ohio | 1,251,348,467 | 134,180,702 | 1,385,529,169 | **65,813** |
| Oklahoma | 488,328,418 | 28,477,592 | 516,806,010 | **24,548** |
| Oregon | 385,842,475 | 54,595,630 | 440,438,105 | **20,921** |
| Pennsylvania | 1,579,949,401 | 217,311,252 | 1,797,260,653 | **85,370** |
| Rhode Island | 188,693,217 | 12,832,952 | 201,526,169 | **9,572** |
| South Carolina | 515,224,483 | 28,955,485 | 544,179,968 | **25,849** |
| South Dakota | 226,412,858 | 7,484,682 | 233,897,540 | **11,110** |
| Tennessee | 717,211,581 | 50,666,878 | 767,878,459 | **36,474** |
| Texas | 2,507,570,916 | 287,128,089 | 2,794,699,005 | **132,748** |
| Utah | 248,012,183 | 41,168,296 | 289,180,479 | **13,736** |
| Vermont | 144,829,487 | 3,704,577 | 148,534,064 | **7,055** |
| Virginia | 817,694,519 | 81,898,909 | 899,593,428 | **42,731** |
| Washington | 569,305,588 | 131,298,248 | 700,603,836 | **33,279** |
| West Virginia | 358,479,108 | 12,771,895 | 371,251,003 | **17,634** |
| Wisconsin | 630,750,942 | 63,268,811 | 694,019,753 | **32,966** |
| Wyoming | 220,142,087 | 4,665,881 | 224,807,968 | **10,678** |
| **All States** | **32,177,385,058** | **4,854,102,917** | **37,031,487,975** | **1,758,996** |

Total funding levels calculated by the Federal Highway Administration and the Federal Transit Administration, U.S. Department of Transportation

**Federal Highway Formula Programs**
**6-Year Comparison of Funding Levels**
**H.R. 3550 vs. Davis Motion to Recommit**
**April 2, 2004**

| State | H.R.3550 | Davis Motion | Increase |
|---|---|---|---|
| Alabama | 3,677,518,555 | 4,319,449,206 | 641,930,651 |
| Alaska | 2,161,805,396 | 2,539,160,160 | 377,354,764 |
| Arizona | 3,132,889,645 | 3,679,752,390 | 546,862,745 |
| Arkansas | 2,397,490,265 | 2,815,985,091 | 418,494,826 |
| California | 17,090,057,720 | 20,073,219,252 | 2,983,161,532 |
| Colorado | 2,599,044,285 | 3,052,721,449 | 453,677,165 |
| Connecticut | 2,755,281,305 | 3,236,230,482 | 480,949,177 |
| Delaware | 802,671,177 | 942,781,750 | 140,110,573 |
| Dist. of Col. | 717,759,307 | 843,048,057 | 125,288,749 |
| Florida | 8,572,806,425 | 10,069,235,914 | 1,496,429,489 |
| Georgia | 6,369,115,958 | 7,480,879,419 | 1,111,763,461 |
| Hawaii | 939,292,198 | 1,103,250,705 | 163,958,507 |
| Idaho | 1,400,320,105 | 1,644,753,514 | 244,433,409 |
| Illinois | 7,126,178,352 | 8,370,091,127 | 1,243,912,775 |
| Indiana | 4,648,807,879 | 5,460,282,309 | 811,474,429 |
| Iowa | 2,239,473,448 | 2,630,385,588 | 390,912,140 |
| Kansas | 2,125,881,144 | 2,496,965,136 | 371,083,992 |
| Kentucky | 3,150,629,518 | 3,700,588,853 | 549,959,335 |
| Louisiana | 2,884,826,337 | 3,388,388,296 | 503,561,959 |
| Maine | 954,895,661 | 1,121,577,837 | 166,682,176 |
| Maryland | 2,915,353,992 | 3,424,244,718 | 508,890,726 |
| Massachusetts | 3,381,597,061 | 3,971,873,023 | 590,275,962 |
| Michigan | 5,923,386,287 | 6,957,345,236 | 1,033,958,948 |
| Minnesota | 3,594,936,603 | 4,222,452,130 | 627,515,527 |
| Mississippi | 2,210,974,449 | 2,596,911,936 | 385,937,487 |
| Missouri | 4,284,602,135 | 5,032,502,492 | 747,900,357 |
| Montana | 1,801,474,258 | 2,115,931,283 | 314,457,025 |
| Nebraska | 1,409,391,886 | 1,655,408,823 | 246,016,937 |
| Nevada | 1,315,045,364 | 1,544,593,608 | 229,548,244 |
| New Hampshire | 936,752,099 | 1,100,267,219 | 163,515,119 |
| New Jersey | 4,778,585,240 | 5,612,713,006 | 834,127,766 |
| New Mexico | 1,793,309,655 | 2,106,341,504 | 313,031,850 |
| New York | 9,367,158,121 | 11,002,245,973 | 1,635,087,852 |
| North Carolina | 5,211,624,631 | 6,121,341,752 | 909,717,121 |
| North Dakota | 1,188,947,609 | 1,396,484,812 | 207,537,203 |
| Ohio | 7,168,776,245 | 8,420,124,712 | 1,251,348,467 |
| Oklahoma | 2,797,555,804 | 3,285,884,223 | 488,328,418 |
| Oregon | 2,210,430,142 | 2,596,272,617 | 385,842,475 |
| Pennsylvania | 9,051,278,709 | 10,631,228,110 | 1,579,949,401 |
| Rhode Island | 1,080,993,416 | 1,269,686,633 | 188,693,217 |
| South Carolina | 2,951,639,076 | 3,466,863,559 | 515,224,483 |
| South Dakota | 1,297,083,238 | 1,523,496,096 | 226,412,858 |
| Tennessee | 4,108,791,020 | 4,826,002,601 | 717,211,581 |
| Texas | 14,365,474,761 | 16,873,045,677 | 2,507,570,916 |
| Utah | 1,420,822,330 | 1,668,834,513 | 248,012,183 |
| Vermont | 829,705,084 | 974,534,571 | 144,829,487 |
| Virginia | 4,684,441,786 | 5,502,136,305 | 817,694,519 |
| Washington | 3,261,461,121 | 3,830,766,708 | 569,305,588 |
| West Virginia | 2,053,669,768 | 2,412,148,876 | 358,479,108 |
| Wisconsin | 3,613,471,781 | 4,244,222,724 | 630,750,942 |
| Wyoming | 1,261,158,985 | 1,481,301,072 | 220,142,087 |
| **All States** | **188,016,637,337** | **220,835,953,046** | **32,819,315,709** |

Total funding levels calculated by Federal Highway Administration, U.S. Department of Transportation

**Federal Transit Formula Programs**
**6-Year Comparison of Funding Levels**
**H.R. 3550 vs. Davis Motion to Recommit**
**April 2, 2004**

| State | H.R.3550 | Davis Motion | Increase |
|---|---|---|---|
| Alabama | 198,869,641 | 231,156,144 | 32,286,503 |
| Alaska | 133,060,259 | 140,513,693 | 7,453,434 |
| Arizona | 403,911,758 | 470,227,686 | 66,315,929 |
| Arkansas | 116,150,368 | 135,270,375 | 19,120,008 |
| California | 5,552,597,250 | 6,343,415,048 | 790,817,798 |
| Colorado | 403,479,756 | 471,766,156 | 68,286,399 |
| Connecticut | 647,204,763 | 709,330,655 | 62,125,892 |
| Delaware | 54,248,356 | 63,622,106 | 9,373,749 |
| District of Columbia | 877,852,428 | 967,767,310 | 89,914,881 |
| Florida | 1,483,096,526 | 1,717,128,836 | 234,032,310 |
| Georgia | 815,018,982 | 918,781,238 | 103,762,256 |
| Hawaii | 202,434,156 | 238,805,983 | 36,371,827 |
| Idaho | 73,620,393 | 86,047,086 | 12,426,693 |
| Illinois | 2,556,048,373 | 2,856,722,554 | 300,674,181 |
| Indiana | 417,530,452 | 476,695,916 | 59,165,463 |
| Iowa | 149,594,568 | 174,954,344 | 25,359,777 |
| Kansas | 118,069,423 | 138,190,463 | 20,121,040 |
| Kentucky | 217,385,766 | 253,776,373 | 36,390,607 |
| Louisiana | 308,212,487 | 356,370,390 | 48,157,903 |
| Maine | 56,815,827 | 65,391,665 | 8,575,838 |
| Maryland | 730,485,598 | 826,480,076 | 95,994,478 |
| Massachusetts | 1,423,677,171 | 1,591,967,255 | 168,290,084 |
| Michigan | 627,110,529 | 732,156,410 | 105,045,881 |
| Minnesota | 420,631,347 | 487,032,862 | 66,401,515 |
| Mississippi | 105,336,903 | 122,276,702 | 16,939,799 |
| Missouri | 386,141,847 | 447,919,643 | 61,777,797 |
| Montana | 55,239,907 | 63,899,172 | 8,659,265 |
| Nebraska | 93,382,341 | 109,844,579 | 16,462,238 |
| Nevada | 193,001,724 | 227,399,351 | 34,397,627 |
| New Hampshire | 56,243,067 | 65,593,404 | 9,350,337 |
| New Jersey | 2,098,273,741 | 2,383,583,819 | 285,310,078 |
| New Mexico | 112,681,925 | 131,579,394 | 18,897,469 |
| New York | 6,444,879,743 | 7,175,638,872 | 730,759,129 |
| North Carolina | 420,756,227 | 490,377,297 | 69,621,070 |
| North Dakota | 46,410,005 | 53,750,291 | 7,340,286 |
| Ohio | 900,583,684 | 1,034,764,387 | 134,180,702 |
| Oklahoma | 166,621,542 | 195,099,134 | 28,477,592 |
| Oregon | 338,235,316 | 392,830,946 | 54,595,630 |
| Pennsylvania | 1,987,703,003 | 2,205,014,254 | 217,311,252 |
| Rhode Island | 76,644,720 | 89,477,672 | 12,832,952 |
| South Carolina | 181,253,492 | 210,208,976 | 28,955,485 |
| South Dakota | 46,483,209 | 53,967,891 | 7,484,682 |
| Tennessee | 313,483,924 | 364,150,802 | 50,666,878 |
| Texas | 1,765,377,276 | 2,052,505,365 | 287,128,089 |
| Utah | 233,854,931 | 275,023,227 | 41,168,296 |
| Vermont | 27,540,665 | 31,245,242 | 3,704,577 |
| Virginia | 603,913,755 | 685,812,664 | 81,898,909 |
| Washington | 918,384,406 | 1,049,682,654 | 131,298,248 |
| West Virginia | 85,312,226 | 98,084,121 | 12,771,895 |
| Wisconsin | 384,588,461 | 447,857,272 | 63,268,811 |
| Wyoming | 29,710,803 | 34,376,684 | 4,665,881 |
| **Total Apportioned** | 36,059,145,018 | 40,945,534,437 | 4,886,389,419 |
| **Oversight** | 265,991,427 | 301,490,789 | 35,499,362 |
| **Grand Total** | 36,325,136,445 | 41,247,025,226 | 4,921,888,781 |

Total funding levels calculated by Federal Highway Administration, U.S. Department of Transportation

Footnote: State allocation includes 5307, 5307 TI, 5309 FGM, 5310, 5311 (but not RTAP), JARC, NFI, 5303, 5313, and Clean Fuel under both funding levels