

Economic Analysis

Key Issues for Congress in the Current Fiscal Year

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- **Lawmakers need to vote on extending transportation spending by the end of July**
- **Congress must pass appropriations bills by the end of September to avoid a shutdown**
- **Fiscal policy uncertainty results from stop-gap solutions to long-term spending problems**

Fiscal concerns are intensifying yet again as we find ourselves in an all too familiar position: waiting for Congress to deal with budgetary issues. This week, the Highway Trust Fund takes center stage, with the Senate voting late Wednesday to bring the transportation bill to the floor in a 62-36 vote, after the House approved its own five-month extension of highway funding last week. Lawmakers have until July 31st to approve the fund, which would channel money to state transportation departments in order pay for our nation's roads, bridges, and highways for up to six years. If Congress fails to extend funding, states will be unable to finance existing transportation projects, and construction firms could be forced to lay off workers during the peak of construction season. Opponents of the long-term bill cite concerns over its sources of funding which were pulled together from 16 different provisions. Among other sources, the highway bill taps revenues from selling oil reserves and fees from the Transportation Security Administration and customs processing, with the largest chunk (almost a third) deriving from reductions in the dividends that the Federal Reserve pays out to large banks.

The White House reported that it is still reviewing the bill's funding sources and safety provisions but is adamant that Congress attaches the reauthorization of the Export-Import (Ex-Im) Bank to the transportation bill. The charter of the bank, which underwrites loans to foreign companies purchasing American products, expired for the first time in its history on June 30th due to Congressional inaction. The House's version of the highway bill carries no mention of the Ex-Im bank, but it is expected to be included in the Senate's version.

In addition, Congress is under a time crunch to approve government funding bills because lawmakers recess in August and won't return until September 8th. As the federal fiscal year ends on September 30th, this leaves a limited amount of time to avoid a shutdown in the upcoming fiscal year. House speaker John Boehner confirmed earlier today that funding through a continuing resolution is likely, which would act as a short-term spending extension. Boehner's announcement did not come as a surprise, as the last time the government actually passed all appropriations bills on time was in 1997. Moreover, while the House has already passed six of the 12 pending bills to date, the Senate hasn't passed a single one this year. Senate Democrats have been filibustering all spending bills due to their objections to the automatic federal budget caps known as sequestration. President Obama has confirmed that he will veto any appropriations bill that effectively locks in budget sequestration, prompting Republicans to search for other methods of cutting spending.

Bottom Line: More of the Same from Congress, Kicking the Can Yet Again

Congress must speed up its progress on passing appropriations bills and the pending transportation legislation in order to resolve key budget issues. September promises to be an intense month for lawmakers; along with attempting to avoid a government shutdown, they are also expected to vote on the Iran deal in mid-September (see our report on the deal [here](#)). The House's five-month extension of highway spending as well as the likely continuing resolution are short-term patches to long-term issues, adding further uncertainty to fiscal policy.

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