Fixing the Highway Trust Fund and/or Re-evaluating the Federal Role

Abstract
The Federal Highway Trust Fund was established in 1956 as a mechanism to maintain the interstate highway system. The fund derives its revenue from a fixed amount of tax on gasoline sales. In 1993, the last year in which the tax was increased, the amount was increased to 18.4 cents per gallon.

Over time, the trust fund was used for other transportation-related programs such as Urban Transit, despite the fact it is a highway-generated revenue stream. The fund is now insolvent with revenue declining as a result of more fuel-efficient vehicles and fewer vehicle miles traveled. Fuel efficiency improved as a result of Federal government Corporate Average Fuel Economy (CAFE) standards.

The U.S. Congress is now being forced to commit fiscal resources into the trust fund to ensure transportation projects are funded, albeit at a lower than desirable level. Annual funding for transportation infrastructure projects now becomes part of the political process. The federal government recently passed the $305 billion Fixing America’s Surface Transportation (FAST) Act, which enables more deficit spending out of the Highway Trust Fund.

Primary Resources:

Highway Trust Fund

- The federal government’s surface transportation programs are financed mostly through the Highway Trust Fund (HTF), an accounting mechanism in the federal budget that comprises two separate accounts, one for highways and one for mass transit.

- For several decades, the trust fund’s balances were stable or growing, but more recently, annual spending for highways and transit has exceeded the amounts credited to the trust fund from taxes collected on gasoline, diesel fuel, and other transportation-related products and activities.

- Since 2008, the U.S. HTF has repeatedly been on the brink of insolvency, necessitating five infusions from the U.S. Treasury’s General Fund.

- From 2016 to 2025, the transit and highway accounts are projected to face a cumulative deficit of $168 billion.
Federal Gas Tax

- Rather than growing with inflation each year, the federal gas tax has been fixed at 18.4 cents per gallon for more than 21 years. Because of this, drivers have been paying roughly $3 in federal tax on each tank of gas for two decades, despite the fact that $3 buys significantly less maintenance and construction than it did in the 1990’s.

- As cars and light trucks have become more fuel efficient, due to Corporate Average Fuel Economy (CAFE) regulations, the gas tax is becoming conceptually inefficient or obsolete.

State Governments Take the Lead in Funding Transportation

- State governments are stepping up their efforts to gather transportation funding on their own through a variety of measures – imposing fuel tax hikes, new fees, plus the creation of more toll roads alongside higher toll rates.

Mileage-based User Fees/Vehicle Miles Traveled/Road User Charging

- Mileage-based user fees are a fair and equitable alternative way to finance the construction and maintenance of roads. Rather than the current gas tax method, which is based on the amount of fuel purchased at the pump, a vehicle miles traveled tax is based on how many miles are driven.

- The Oregon Department of Transportation has launched an OreGo website, where volunteers can sign up to pay a road usage charge (1.5 cents per mile) for the amount of miles they drive, instead of the fuel tax.

Funding Highways through Taxation Changes

- With gas taxes alone not generating enough income for the HTF the government has considered a variety of tax changes to increase revenue including:
  - Repatriation proposals for having a tax on international and overseas business either with a set rate or a onetime payment each year.
  - Fee on increased oil and gas drilling on federal lands

Public-Private Partnership

- Public-private partnerships (P3s) offer alternative financing mechanisms that can leverage current and future public funds more effectively, transfer some risk from public to private entities, and encourage innovation at all stages of the project delivery process.

- While P3s alone will not solve our transportation funding problems, P3s can help leverage resources and align interests to create value.

- The map below identifies the 33 U.S. States, District of Columbia, and one U.S. territory that have enacted statutes that enable the use of various P3 approaches for the development of transportation infrastructure.
Devolution

- **Transportation Empowerment Act (TEA)**, would lower the gas tax that currently pays for most federal transportation projects from 18.4 cents per gallon to 3.7 cents in five years.

- During the same time period, the bill would transfer authority over federal highways and transit programs to states and replace current congressional appropriations with block grants.

Re-evaluating the Federal Role

- Some argue for stronger federal involvement in developing a national transportation system to help the country thrive in a global economy.

- Others suggest that the federal government should focus its resources on major projects that clearly facilitate interstate travel and commerce.

- And still others contend that states and localities are in the best position to identify transportation investments that meet their residents’ needs.

- Despite disagreement on what the federal role should be, there is widespread sentiment that it needs to be re-evaluated.

How Other Countries Fund Transportation Projects

- The table below demonstrates that despite being the only included nation with a dedicated user-fee structure, the United States is not investing substantially more at the national level compared to its peers.

- Notable is the fact that the United States has the lowest per gallon tax on gasoline of any of the peer countries surveyed.

<table>
<thead>
<tr>
<th>Country</th>
<th>Infrastructure Rank</th>
<th>Infrastructure Score</th>
<th>National Gasoline Fuel Tax (USD per gal)</th>
<th>Annual National Surface Transportation Spending (USD)</th>
<th>Per Capita National Surface Transportation Spending</th>
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<td>$166</td>
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