Teetering on the Brink

Rescuing the Highway Trust Fund from the cliff's edge

BY KATE SHIRLEY

For the seventh year in a row, in July the United States Congress once again was forced to bail out the Highway Trust Fund (HTF) within days of the fund being unable to make obligated payments to state and transit agencies for surface transportation projects. The $11 billion cash infusion came from the U.S. Treasury general fund, and will keep the fund solvent through May 2015. However, these types of short-term patches have revealed that the current system of revenue collection is insufficient by a long shot. And with America's continually degrading transportation infrastructure sorely in need of costly rebuilding and upgrades, the demands on the HTF to fund these necessary projects are only going to grow greater each year.

A major factor leading to the revenue deficit is that we spend more money on transportation than the fund collects. The HTF, which was established in 1956 to finance the growing U.S Interstate Highway System and certain other roads, is currently financed mainly through a federal tax of 18.3 cents per gallon on gasoline and 24.4 cents per gallon of diesel fuels, as well as various other user fees. However, the revenue being collected is no longer keeping pace with the financial obligations of the fund. This is for a variety of factors, one of which being that the gas tax has not been raised since 1993 and inflation has reduced the value of the tax by nearly 40 percent in that time. Americans are also now driving less and increasingly using more fuel-efficient vehicles, which has reduced fuel consumption per miles driven. Furthermore, in 2012, the last surface transportation authorization law, Moving Ahead for Progress in the 21st Century (MAP-21), set program spending higher than dedicated revenues, increasing the sizeable gap.

To prevent the federal government from defaulting on its highway and transit project obligations, Congress has injected a total of roughly $70 billion billion into the fund since 2008. However, unless legislation is passed in the interim, the fund will once again require a new $15 billion injection in May 2015 to remain solvent. The Congressional Budget Office estimates that the cumulative revenue shortfall over the next decade is expected to top $160 billion. This means that overall, about 30 percent of federal surface transportation projects are supported by general funds rather than user fees. If these trends continue, that number could grow to as large as 35 or 40 percent over the next decade.

Secretary of Transportation Anthony Foxx expressed his dismay at the most recent temporary fix, and again called for Congress to work out a more permanent solution, commenting, "Americans deserve a multi-year transportation bill that provides the certainty that businesses and communities deserve, creates jobs, and makes necessary policy updates to lay the foundation for lasting economic growth."

Although the situation may seem grim, funding transportation infrastructure exclusively through user fees may be possible by increasing and indexing the gas tax to inflation. In addition, lawmakers could consider alternative revenue sources, such as taxes based on vehicle miles traveled, which would eliminate the growing concern that future fuel-efficiency technology will further erode the HTF. Furthermore, lawmakers could reduce the uncertainty that comes with the stopgap cash injections by legislating a predictable combination of user fees and payments from the general fund. And although Democrats and Republicans agree that these temporary patches are not optimal for successful infrastructure development and safety, partisan rancor has resulted in a lot of inaction.

However, with high gas prices and the unfavorable economic environment, lawmakers have been hesitant to back legislation that would increase gas prices or result in other user fees. Senators Bob Corker (R - Tenn.) and Chris Murphy (D - Conn.) recently proposed bipartisan legislation to slowly raise the tax by 12 cents, which would index it to inflation. However, critics have asserted that an increased gas tax will hurt poor, rural residents the most, as wealthier, urban Americans are more likely to drive fuel efficient vehicles, and spend a much smaller share of their incomes on gasoline. Congressman Earl Blumenauer (D – Ore.) is a proponent of mileage-based fees. A number of conservative lawmakers are in favor of dramatically scaling back the fund altogether, lowering the gas tax even more, and giving states more flexibility to plan and finance their own programs. To date, no agreement has been reached between the two sides.

To ensure our surface transportation infrastructure is maintained, we need a predictable and sustainable revenue stream to support long-term planning and infrastructure investment. Under the current model, these important programs have become marginalized and difficult to plan. Although solutions are available, for now Congress has made the HTF a political football, one they just keep kicking down the road. ✪

Kate is the Senior Editor at Right of Way Magazine.