Backgrounder

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Correcting the Pervasive Inequities in Gas Tax Spending Should Be a Reauthorization Priority

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Among the many contentious issues that Congress will confront in the lead up to the 2009 reauthorization of the federal highway program are the inherent inequities in how the program distributes trust fund revenues among the states. Under current law, the federal fuel taxes paid into the trust fund by motorists and truckers are returned to the states according to a series of mathematical formulas that attempt to match payments from the federal highway programs to the scope and usage of each state's surface transportation system.[1]

Because of flaws in these distribution formulas, many states (donors) consistently receive shares that are less than they pay in gas taxes, while other states (donees) consistently receive more. This deficiency, in turn, exacerbates regional transportation problems because the shortchanged donor states typically are those with above-average population growth, which creates greater transportation needs, while the donee states often have slower-growing populations. While Congress has made some halfhearted efforts to mitigate this problem, it has made little real progress, and the depletion of the trust fund in 2008 will exacerbate these inequities and reverse what little progress has been made.

In anticipation that Congress and the White House may again fail to address the equity issue in the upcoming reauthorization process, many donor states are organizing as the Donor State Working Group, led by Representative Jeff Flake (R–AZ). With donor states numbering 28 according to the most recent data,[2] unified action by their congressional delegations

Talking Points

- Flaws in the federal highway program's allocation formula shortchange states in the South and Great Lakes regions. The chief beneficiaries of the windfall are slow-growing, high-income states in the Northeast.
- Emblematic of this peculiar federal policy is that over the past 51 years, motorists in Mississippi, the poorest state in the union, have subsidized motorists in Connecticut, the richest state.
- Flaws in the system cost Texas $615 million and Florida $286 million in 2007.
- Halfhearted efforts to correct the problem have yielded only limited benefit to losers.
- The most effective way to resolve these flaws would be to turn back to the states the highway program and the right to collect and keep the federal fuel tax revenues. This would allow the states to spend the revenues on the surface transportation priorities of their own choosing.

This paper, in its entirety, can be found at:
www.heritage.org/Research/SmartGrowth/bg2269.cfm

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could finally solve the equity problem in the next reauthorization bill.

Winners and Losers

Over the past several decades, the states shortchanged by the federal highway program have been concentrated in the Southeast and the Great Lakes region and have also included some Western states, notably California and Arizona. The states receiving more than their fair share have been concentrated in the Northeast, the Mid-Atlantic states, and sparsely populated Mountain regions. In fiscal year (FY) 2007, there were 28 donor states and 22 donees, although many states broke about even in their return ratios.[3]

Among the donor states, Texas received a payback of only 83.8 percent in 2007, costing it $619 million in lost federal payments. Florida received just 87.3 percent, Indiana 85.7 percent, and South Carolina 86.5 percent. Column 3 in Table 1 provides the return ratios for 2007, while column 6 provides the return ratios since the program's inception in 1956. These and many other states have been consistent losers since the program's creation. Tabulating return ratios over the past 51 years reveals that, of the 23 long-term losers, Texas received just 79.9 percent, Georgia 83.8 percent, and Oklahoma 84.6 percent.

As unacceptable as these losses were, they would have been much worse if SAFETEA-LU[4] (the 2005 highway reauthorization bill) had not created the Equity Bonus program[5] to partially offset the donor states' losses. This program authorized the U.S. Secretary of Transportation to spend up to $41 billion of the highway trust fund between FY 2005 and FY 2009 to ensure that states received a minimum share of 90.5 percent in 2006 and a maximum of 92 percent by 2009. Despite these goals, the program's benefits have been greatly exaggerated. Achieving even the modest goal of a 90.5 percent share relies entirely on spending more of the highway trust fund than is received in federal fuel tax revenues (with the excess funds used to help even things out for donor states) and uses an inaccurate methodology to calculate these return shares.

For example, under the methodology of share or return ratio calculations used in this paper (and recently adopted by the Federal Highway Administration in its report on 2007 spending), Texas experienced an 83.8 percent return ratio in 2007. This reflects the fact that its tax revenues accounted for 9.176 percent of the money flowing into the fund compared to the 7.694 percent of trust fund spending that it received (7.694 is 83.8 percent of 9.176).

In contrast to this more accurate measure of equity, Congress and the U.S. Department of Transportation (USDOT) have based their share calculations on the total dollars paid into the fund compared to dollars paid out, which are distorted by the excess spending of recent years. By this method, the USDOT reports that Texas received a 100 percent share in FY 2007, reflecting the $3.2 billion it paid in and the $3.2 billion it received.

Again, this appearance of equity depends on the trust fund spending much more than it takes in to provide the equity bonus that offsets Texas's otherwise inequitable treatment by the formulas. In FY 2007, the highway trust fund took in a total of $34.9 billion but spent $41.5 billion. With the trust fund surplus hitting zero early this fiscal year, there will no longer be any funds left to pay this equity bonus after FY 2009.

When SAFETEA-LU was enacted, the trust fund surplus was above $10 billion, but years of overspending and sluggish growth in fuel tax revenues

1. Different formulas apply to different federal highway programs. For example, the Surface Transportation Program uses total lane-miles of federal-aid highways, total vehicle-miles traveled on federal-aid highways, and a state's share of trust fund tax payments to determine each state's apportionment.
2. U.S. Department of Transportation, Federal Highway Administration, *Highway Statistics 2007*, Table FE-221, at *http://www.fhwa.dot.gov/policyinformation/statistics/2007/index.cfm* (April 23, 2009).
3. See Ronald D. Utt, "Ending Pervasive Inequities in the Gas Tax Burdens," Heritage Foundation *Backgrounder* No. 2143, June 16, 2008, Table 1, at *http://www.heritage.org/Research/SmartGrowth/bg2143.cfm*.
4. Public Law 109–59.
5. *Ibid.*, § 1104.

State Gains and Losses from Federal Transportation Trust Fund (Highways and Transit)

Percentage of Taxes Paid (Share In), Spending Received (Share Out), and Ratio of the Two

State	2007 Share In	2007 Share Out	2007 Return Ratio	All-Time Share In	All-Time Share Out	All-Time Return Ratio	Transit Share In	Transit Share Out	Transit Return Ratio
Alabama	1.949	1.955	1.003	1.976	1.974	0.999	1.949	0.7	0.359
Alaska	0.356	1.295	3.634	0.221	1.237	5.594	0.356	0.6	1.685
Arizona	2.127	1.823	0.857	1.690	1.581	0.936	2.127	1.9	0.895
Arkansas	1.264	1.296	1.025	1.317	1.244	0.945	1.264	0.2	0.158
California	9.934	10.124	1.019	10.166	9.009	0.886	9.934	12.4	1.248
Colorado	1.506	1.326	0.881	1.339	1.378	1.030	1.506	1.9	1.262
Connecticut	0.975	1.269	1.301	1.092	1.633	1.495	0.975	1.8	1.846
Delaware	0.261	0.422	1.614	0.281	0.411	1.460	0.261	0.1	0.383
District of Columbia	0.077	0.382	4.958	0.139	0.523	3.760	0.077	1.2	15.584
Florida	5.488	4.792	0.873	4.880	4.223	0.865	5.488	3.3	0.601
Georgia	3.706	3.213	0.867	3.545	2.970	0.838	3.706	2.1	0.567
Hawaii	0.261	0.519	1.984	0.253	0.696	2.751	0.261	0.3	1.149
Idaho	0.538	0.706	1.314	0.518	0.758	1.465	0.538	0.2	0.372
Illinois	3.755	3.777	1.006	3.845	3.683	0.958	3.755	5.2	1.385
Indiana	2.757	2.363	0.857	2.683	2.167	0.808	2.757	0.8	0.290
Iowa	1.307	1.138	0.871	1.271	1.260	0.991	1.307	0.4	0.306
Kansas	0.991	0.975	0.984	1.161	1.154	0.994	0.991	0.2	0.202
Kentucky	1.827	1.675	0.917	1.793	1.666	0.929	1.827	0.4	0.547
Louisiana	1.904	1.809	0.950	1.783	1.959	1.099	1.904	1.0	0.525
Maine	0.506	0.483	0.955	0.533	0.531	0.997	0.506	0.2	0.395
Maryland	1.729	1.582	0.915	1.753	1.969	1.123	1.729	1.7	0.983
Massachusetts	1.612	1.566	0.971	1.898	2.429	1.280	1.612	3.7	2.295
Michigan	2.994	2.802	0.936	3.506	2.935	0.837	2.994	1.4	0.468
Minnesota	1.812	1.754	0.968	1.656	1.737	1.049	1.812	1.2	0.662
Mississippi	1.350	1.285	0.951	1.308	1.333	1.019	1.350	0.3	0.222
Missouri	2.448	2.342	0.957	2.548	2.240	0.879	2.448	1.1	0.449
Montana	0.468	0.993	2.121	0.469	1.003	2.139	0.468	0.2	0.427
Nebraska	0.749	0.717	0.958	0.790	0.783	0.990	0.749	0.1	0.134
Nevada	0.902	0.770	0.853	0.636	0.718	1.128	0.902	0.5	0.554
New Hampshire	0.405	0.426	1.052	0.416	0.483	1.161	0.405	0.1	0.247
New Jersey	2.815	2.497	0.887	2.895	2.569	0.887	2.815	7.4	2.628
New Mexico	0.936	0.932	0.996	0.842	0.955	1.134	0.936	0.4	0.427
New York	3.844	4.273	1.112	4.502	5.085	1.130	3.844	23.1	5.983
North Carolina	3.012	2.660	0.883	2.981	2.445	0.820	3.012	1.5	0.498
North Dakota	0.312	0.603	1.932	0.343	0.653	1.902	0.312	0.1	0.321
Ohio	3.826	3.675	0.961	4.134	3.510	0.849	3.826	2.0	0.523
Oklahoma	1.542	1.621	1.052	1.669	1.412	0.846	1.542	0.4	0.259
Oregon	1.217	1.303	1.071	1.270	1.333	1.050	1.217	2.1	1.726
Pennsylvania	3.806	4.121	1.083	4.256	4.588	1.078	3.806	4.9	1.287
Rhode Island	0.232	0.578	2.488	0.288	0.605	2.099	0.232	0.3	1.293
South Carolina	1.798	1.555	0.865	1.681	1.392	0.828	1.798	0.3	0.167
South Dakota	0.364	0.712	1.955	0.366	0.700	1.910	0.364	0.1	0.274
Tennessee	2.389	2.210	0.925	2.387	2.098	0.879	2.389	0.7	0.293
Texas	9.176	7.694	0.838	8.211	6.565	0.799	9.176	4.6	0.506
Utah	0.909	0.764	0.841	0.778	0.918	1.180	0.909	1.2	1.320
Vermont	0.214	0.530	2.480	0.244	0.474	1.945	0.214	0.2	0.934
Virginia	2.829	2.637	0.932	2.696	2.612	0.969	2.829	1.3	0.459
Washington	1.836	1.817	0.990	1.846	2.194	1.188	1.836	2.9	1.579
West Virginia	0.657	1.074	1.636	0.756	1.317	1.743	0.657	0.2	0.304
Wisconsin	1.828	1.830	1.001	1.934	1.750	0.905	1.828	0.8	0.438
Wyoming	0.501	0.652	1.303	0.454	0.699	1.537	0.501	0.1	0.200

Source: Calculations based on U.S. Department of Transportation, Federal Highway Administration, *Highway Statistics 2007*, at *http://www.fhwa.dot.gov/policyinformation/statistics/2007/index.cfm* (April 23, 2009), and FY 2007 Statistical Summary, at *http://www.fta.dot.gov/funding/data/grants_financing_8542.html* (April 29, 2009).

Table 1 • B 2269 heritage.org

are among the factors that have depleted the surplus. When the surplus hit zero in early FY 2009, Congress and the President agreed to an unprecedented bailout of the fund with $8 billion in general taxpayer revenues,[6] enough to carry through to the expiration of SAFETEA-LU in September 2009.

Which States Benefit and Lose the Most?

With the exception of Oklahoma, the poor treatment of these states continued into 2007, as Table 2 reveals. For every loser (donor), there are many winners receiving these interstate subsidies. Table 3 lists the top seven winners in this ongoing misallocation of the federal highway trust fund.

Table 3 reveals that over the past 51 years, the motorists of Alaska have received nearly six times more from the federal highway trust fund than they paid into it in fuel taxes. Table 1 also shows that the misallocation of federal highway funds is exceptionally regressive: The less wealthy southern states are subsidizing the much more prosperous northeastern states. Emblematic of this peculiar federal policy is that over the past 51 years, the motorists in Mississippi (0.951 return ratio in 2007), the poorest state in the union, have subsidized motorists in Connecticut, the richest state (1.301 return ratio).[7]

In dollars and cents, the inequity can be quite costly to the states on the losing end of the flawed allocation system. Table 4 offers a few examples from the 28 donor states in 2007 that illustrate how much less these states received in federal highway spending because of the flawed federal highway formulas. Column 2 is the percentage point difference between the share paid in and the share returned to the state from the trust fund, and column 3 presents the additional funds that each state would have received in 2007 if its return share had equaled its share of gas tax revenues paid into the trust fund.

Biggest Losers in Federal Highway Program

State	Return Ratio, 1956–2007
Texas	0.799
Indiana	0.808
North Carolina	0.820
South Carolina	0.828
Michigan	0.837
Georgia	0.838
Ohio	0.849

Source: Calculations based on U.S. Department of Transportation, Federal Highway Administration, *Highway Statistics 2007*, at *http://www.fhwa.dot.gov/policyinformation/statistics/2007/index.cfm* (April 23, 2009).

Table 2 • B 2269 ☎ heritage.org

Biggest Winners in Federal Highway Program

State	Return Ratio, 1956–2007
Alaska	5.594
District of Columbia	3.760
Hawaii	2.751
Montana	2.139
Rhode Island	2.099
South Dakota	1.910
North Dakota	1.902

Source: Calculations based on U.S. Department of Transportation, Federal Highway Administration, *Highway Statistics 2007*, at *http://www.fhwa.dot.gov/policyinformation/statistics/2007/index.cfm* (April 23, 2009).

Table 3 • B 2269 ☎ heritage.org

Donor State Dollar Losses in 2007

Selected States

State	Return Share Deficiency (Percentage Points)	FY 2007 Loss
Texas	–1.482	–$619,476,000
South Carolina	–0.243	–$100,907,730
Ohio	–0.151	–$62,703,980
Georgia	–0.493	–$206,074,000
Indiana	–0.394	–$163,611,711
Florida	–0.688	–$290,928,000
Arizona	–0.304	–$126,238,477

Source: Calculations based on U.S. Department of Transportation, Federal Highway Administration, *Highway Statistics 2007*, at *http://www.fhwa.dot.gov/policyinformation/statistics/2007/index.cfm* (April 23, 2009).

Table 4 • B 2269 ☎ heritage.org

6. Public Law 110–318
7. Mississippi was a donee state in 2006, but this was largely because of additional funding to repair infrastructure destroyed by Hurricane Katrina.

Against these examples of losers—all of which have been losers since the program's inception in 1956—are the 27 long-term winners. Table 5 provides examples of the extra money that several states received in 2007 because of the inequities in the system.

Donor State Dollar Gains in 2007

Selected States

State	Return Share Surplus (Percentage Points)	FY 2007 Gain
Alaska	+0.939	+$389,297,402
Connecticut	+0.294	+$122,085,896
New York	+0.429	+$178,145,746
Pennsylvania	+0.315	+$130,806,317
Vermont	+0.316	+$131,221,575
West Virginia	+0.417	+$173,162,648

Source: Calculations based on U.S. Department of Transportation, Federal Highway Administration, *Highway Statistics 2007*, at *http://www.fhwa.dot.gov/policyinformation/statistics/2007/index.cfm* (April 23, 2009).

Table 5 • B 2269 ☎ heritage.org

Federal Transit Spending Is Even More Inequitable

The federal highway program, trust fund, and reauthorization process actually fund two different transportation programs: highways and transit. Transit includes buses, commuter rail, trolley cars, and metro systems. Although less than 2 percent of all surface passengers and less than 5 percent of commuters use some form of transit, transit receives about 20 percent of the federal transportation spending authorized by the highway bill. In 2007, $10.5 billion was spent on 15 separate transit programs, while $41.5 billion was spent on all highway programs, although some of this money was diverted to transit, hiking trails, and bicycle paths.

Most federal and state transit spending is paid by motorists through federal and state fuel taxes. The federal fuel tax is currently 18.3 cents per gallon, 2.87 cents of which goes into the "transit account" within the highway trust fund. Another approximately $2 billion in annual federal transit spending is funded by general revenues. In turn, these dedicated revenues are allocated to the states according to a formula (and earmarks).

As columns 7 and 8 of Table 1 show, the regional distribution of transit spending is far more inequitable than the distribution of highway spending. In 2007, 36 states were donors to the transit program, and their return shares were substantially lower than what donor states typically experience with the highway program. While the worst return ratio under the highway program was just 83.8 percent, return ratios of less than 40 percent are common with the transit program, and South Carolina and Nebraska fared the worst with returns below 20 percent.[8]

Most transit funding winners were also highway winners, notably Alaska, Connecticut, the District of Columbia, Massachusetts, Rhode Island, Pennsylvania, and New York. Indeed, New York received 23.1 percent of all federal transit spending in 2007. As with the highway program, the transit program transfers billions of dollars of income from motorists in the South and the Midwest to a small number of transit riders concentrated in the wealthier Northeast and the Mid-Atlantic states and a few major urban areas in Illinois and on the West Coast.

Trickle-Up Economics

Not surprisingly, given all of the publicity about the infamous "Bridge to Nowhere," Alaska is in a class by itself in terms of receiving excess benefits from the highway trust fund. On a cash-in/cash-out basis, in 2007, motorists in Alaska paid $124.3 million in fuel taxes into the trust fund, but the state received a staggering $541.3 million from the trust fund, thereby earning the distinction of achieving the most egregious inequity in the system. One other troubling observation from Tables 4 and 5 is that the current system effectively required Texas motorists (2007 median household income of $45,294) to transfer $615 million of their federal fuel taxes to motorists in Connecticut ($64,158), Alaska ($60,506), and other donee states during FY 2007.

Another perverse consequence of the donor–donee misallocation is that most donor states are

8. All data on federal transit spending are derived from U.S. Department of Transportation, Federal Transit Administration, *FY 2007 Statistical Summary*, Table 6, at *http://www.fta.dot.gov/funding/data/grants_financing_8542.html* (April 23, 2009).

experiencing above-average population (and motorist) growth rates and thus have a greater need to build more roads. By contrast, many donee states are generally experiencing slower-than-average population growth and thus need fewer new roads.

Between 2000 and 2008, the U.S. population grew by 8.0 percent, while the population increased by 16.7 percent in donor state Texas, 11.7 percent in South Carolina, 26.7 percent in Arizona, and 18.3 percent in Georgia. Among the donee states, Connecticut's population increased by just 2.8 percent between 2000 and 2008, New York's grew by 2.7 percent, Pennsylvania's rose by 1.4 percent, and West Virginia's increased by only 0.3 percent.[9] Weighting federal highway spending by state population in 2008 reveals that Alaska received $788 in federal highway benefits per resident, while Texas received only $132 per resident.

Worsening Problems Could Spur Innovative Solutions

The implications of the trust fund's current financial deficiency for donor states is a potential worsening of the existing allocative inequities. With President Obama now on record opposing any increase in federal fuel taxes, the flawed Equity Bonus program will survive only if Congress and the President agree to ongoing bailouts of the highway trust fund.

Under the circumstances, neither remedy is likely in the near future. With gasoline prices still high and the economy weak, Congress might not be inclined to add to those burdens by opposing the President and increasing fuel taxes. Without a timely renewal of the federal highway program at substantially higher taxes, the only other relief option within the confines of a top-down, command-and-control, Washington-centric program would be an ongoing (and very costly) general fund bailout to maintain the meager equity improvements expected in the final years of SAFETEA-LU. Although this temporary solution was adopted in 2008, the exploding federal deficits stemming from the costly fiscal stimulus plan, financial bailouts, and the high rate of federal spending planned for FY 2009 and FY 2010 make another such bailout less and less likely.

Alternatively, if Congress is willing to abandon the current system's underlying assumption that Washington knows best, it could achieve interstate equity without another taxpayer bailout or tax increase by allowing each state to keep the 18.3-cents-per-gallon federal fuel tax revenues collected within its borders to spend on the surface transportation priorities of its own choosing. Legislation to enact such a plan was introduced in the Senate during the 110th Congress.[10] The bill would have phased out the federal highway program incrementally over five years while transferring taxing and spending responsibilities to each state.

Despite the simplicity of the solution, many Members of Congress will oppose it because it would require them to surrender the spending power to provide substantial rewards to privileged and influential constituencies through earmarks and new programs that divert trust fund money to non-transportation purposes. Nonetheless, the donor states are sufficiently numerous to force a meaningful resolution of the issue.

Rectifying the Pervasive Inequities

As columns 4 through 6 of Table 1 illustrate, the state-by-state inequities have been a long-standing problem, and donor states have attempted to organize to correct the problem. Perhaps the most notable effort was undertaken in 1996–1998 as Congress developed and ultimately enacted the 1998 highway reauthorization bill (TEA-21). In advance of the 1998 reauthorization process, more than 20 states—many in the South and West—organized into a coalition called STEP 21 and lobbied for a fairer system.

In response, Congress made what can best be described as "important cosmetic changes" in the

9. U.S. Bureau of the Census, "Cumulative Estimates of Resident Population Change for the United States, Regions, States and Puerto Rico and Region and State Rankings: April 1, 2000 to July 1, 2008," December 22, 2008, at *http://www.census.gov/popest/states/tables/NST-EST2008-02.xls* (April 23, 2009).
10. Transportation Empowerment Act, S. 2823, 110th Cong., 2nd Sess.

bill. As the 2007 data presented in Tables 1, 2, and 4 reveal, these "changes" were largely ineffective in restoring any semblance of equity. Most donor states remained donors and to similar degrees. In the years preceding enactment of the 2005 reauthorization bill, a similar but less well-organized coalition was formed. However, it accomplished little, and the final legislation did not significantly reduce the existing inequities.

This pattern of failure demonstrates that efforts to work within the system and to modify the existing program have accomplished little, despite half-hearted attempts to make the law fairer. While resistance by Members of Congress from donee states has helped to perpetuate these inequities, most elected officials from donor states have been timid in seeking meaningful reform. They have been content to settle for a few trifling earmarks that add no new money to their unfair formula allocations.

As an alternative to the failed work-within-the-system approach, some Members have proposed ending the federal highway program and restoring the responsibility—and transferring the right to collect the federal fuel tax of 18.3 cents per gallon—to the states in a process known as "turnback." With its original goal (build the interstate highway system) fulfilled in the early 1980s, the federal highway program has become a vast spoils system, of which the Bridge to Nowhere was only one of more than 7,000 earmarks. Indeed, under the poorly conceived SAFETEA-LU, roads traveled by the typical motorists receive only about 60 percent of the federal fuel tax revenues that these hapless motorists pay into the system.[11]

Legislation to turn back the federal highway program to the states was first introduced by Senator Connie Mack (R–FL) and Representative John Kasich (R–OH) in 1996 during the congressional debate leading up to TEA-21. Since then, several other Representatives and Senators—most recently Representative Jeff Flake (R–AZ) and Senator Jim DeMint (R–SC)—have introduced modified versions of the bill.

None of these bills have gone very far, because the congressional delegations and government officials of the shortchanged states have been reluctant to push the legislation. However, creation of the new Donor State Working Group in Congress to better organize the donor states and aggressively advocate their cause has greatly enhanced the prospects of success during the next reauthorization process.

Given that Congress may be reluctant to abandon a federal program that provides Members with so many earmarking opportunities, an alternative would be to keep the program in its current form but allow states to opt out of it in return for agreeing to meet certain performance standards that would include maintaining and enhancing their segments of the interstate highway system. Beyond that, opt-out states would be free to pursue transportation objectives in the best interest of their citizens, while states that chose to stay in the program would continue to benefit from guidance provided by USDOT and Congress.[12]

Conclusion

The current laws governing the federal highway and transit programs will expire on September 30, 2009, and the effort to reauthorize the programs will attract a swarm of lobbyists, campaign contributors, and special-interest groups, each seeking some part of the hundreds of billions of dollars to be spent through the next reauthorization bill. Unless the donor states are well organized and aggressive in pushing their case for reform and equity throughout the legislative process, they will again find them-

11. Ronald D. Utt, "Congress Undermines America's Infrastructure by Looting the Highway Trust Fund," Heritage Foundation *WebMemo* No. 2046, September 3, 2008, at *http://www.heritage.org/Research/SmartGrowth/wm2046.cfm*.

12. Both options are detailed in Ronald D. Utt, "Will a Bigger Role for States Improve Transportation Policy Performance?" chap. 8 in Wendell Cox, Alan Pisarski, and Ronald D. Utt, eds., *21st Century Highways: Innovative Solutions to America's Transportation Needs* (Washington, D.C.: The Heritage Foundation, 2005), pp. 163–182. A pilot program allowing some states to opt out was proposed in U.S. Department of Transportation, *Refocus. Reform. Renew. A New Transportation Approach for America*, 2008, at *http://knowledge.fhwa.dot.gov/tam/aashto.nsf/0/b9fa645aea69a10d852574b70063d378/$FILE/reformproposal08.pdf*.

selves with just a few scraps and six more years of annual spending shortfalls.

Adding to the risk is the absence of a trust fund surplus that could be used to continue the modest, yet inadequate, Equity Bonus program. As noted earlier, Representative Flake's effort to organize a Donor State Working Group could alter the dynamics of the process and lead to a permanent end to these longstanding inequities. To ensure the success of this reform effort:

- Elected officials representing donor states should refuse to support any transportation bill that does not end the inequitable distribution of fuel tax revenues within one year;
- USDOT officials should highlight this issue as one of several key problem areas needing attention during reauthorization; and
- Members of Congress representing donor states should introduce and/or cosponsor turnback legislation to allow each state to keep all of its federal fuel taxes.

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