

Revitalizing Federal Highway Transportation Policy

THE ISSUE:

The federal highway system was created in 1956 to build the interstate highway system. That task was largely completed in the early 1980s. All of the funds to build and maintain that system are derived from the road users who pay a federal fuel tax of 18.3 cents per gallon of gasoline. Spending approximately \$50 billion per year on roads and transit systems, the federal program supplements similar volumes of spending by state and local governments, also usually derived from a state-imposed fuel tax. Since the 1980s, the federal program has lost its sense of purpose, and today no more than 65% of all federal trust fund spending goes toward general-purpose roads. The rest of these funds are diverted to unrelated purposes, including mass transit, national parks and forests, bicycle trails, earmarks, bureaucracy, urban revitalization, and historic preservation. As a result, congestion has worsened in most major metropolitan areas, and roads and bridges have deteriorated everywhere.

THE FACTS:

- **Deteriorated Infrastructure.** Some estimates indicate that bringing our highways up to an acceptable standard would cost an additional \$78 billion per year, or \$27 billion per year just to sustain the current level of quality.
- **Failing Sources of Federal Funding.** Starting with a \$23 billion surplus in 2000, wasteful federal transportation spending and trust fund diversions have left the highway trust fund with a deficit in FY 2010, requiring a \$14.7 billion bailout with general revenues and deficit spending to meet commitments. A cumulative trust fund deficit of \$93.9 billion is projected for 2013 to 2020.
- **Misplaced Priorities.** More than 20% of trust fund spending (and motorist fuel taxes) goes to transit sys-

tems which serve only 5% of the nation's passengers, three-quarters of whom are located in just seven metropolitan areas.

- **Pervasive Regional Inequities.** The formulas used to redistribute federal fuel tax revenues back to the states are biased in favor of the slow-growing states located in New England and the Middle Atlantic regions, who receive larger shares from the trust fund than they pay in. By contrast, states in the Southeast and West, which are growing much faster than the nation as a whole, receive less than they pay in.

THE SOLUTIONS:

- **Give States More Flexibility.** The federal highway program should be modified to allow states the maximum flexibility in spending their share of federal money allocated to them by formula from the highway trust fund. States should be permitted to spend such funds according to their own transportation priorities rather than the one-size-fits-all, lobbyist-driven mandates now entrenched in federal law. To the extent that the federal government maintains overall goals, they should be limited to congestion mitigation, enhanced mobility, and safety.
- **Allow States to Opt Out of the Federal Program.** States should also be allowed to opt out of the federal highway program in return for a commitment to meet certain obligations. In return for the right to retain all of the federal fuel tax revenues raised within the state, the state would agree to (1) maintain the interstate highway system to a certain standard of quality, (2) meet a series of existing federal safety standards, and (3) forgo the receipt of any federal transportation spending derived from general revenues.

- **Seek More Private-Sector Investors and New Non-Tax Sources of Revenue.** States should be allowed the maximum flexibility in utilizing non-fuel tax fees such as tolls, congestion taxes, public-private partnerships, privatization, and competitive markets and private participation in transit service provision.
- **End All Diversions to Non-Road Uses.** Federal fuel tax revenues paid as a user fee by motorists and truckers should not be diverted to programs that do not benefit road users. Recent proposals by Transportation Secretary Ray LaHood and Members of Congress would divert money from roads to other uses, including bicycles,

walking, transit, land use planning, and larger federal bureaucracies to operate these programs. Instead of calling for gas tax increases which will hurt American consumers at the pump, we should limit federal highway funding to highways and roads.

- **End All Transportation Earmarks.** In the past, all transportation bills have been subject to extensive earmarking, the Bridge to Nowhere being one of the more prominent. Earmarks undermine a state's ability to set its own transportation priorities by micromanaging its investment decisions, often at the behest of lobbyists.