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Federal Highway Trust Fund: Recommit to Better Highways and Enhanced Mobility

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Over the past year Congressman James Oberstar (D–MN), chairman of the House Committee on Transportation and Infrastructure, has introduced a partial draft of new highway legislation that would divert even more money from roads to bicycles, walking, transit, land use planning, and more federal employees to operate the program.[1] Secretary of Transportation Ray LaHood has endorsed similar policies and promises to shift federal money from roads to bicycles.[2]

If either, or both, of these efforts are enacted into law as part of the next (now delayed) highway reauthorization bill, even more money from motorists will be diverted into non-highway and non-transportation purposes. Starved for funds, roads will continue to deteriorate and congestion will worsen as little or no new capacity is added to accommodate a growing population and economy.

Original Intent. The federal highway program and the trust fund that finances it were created in 1956 to construct the interstate highway system, an over 42,000-mile-long network of high-speed, limited-access roads connecting all of the major metropolitan areas in the nation and running coast to coast and border to border. The program was funded by a "user fee" (the more you drive, the more you pay) levied in the form of a federal fuel tax (3 cents per gallon of gasoline in 1957, 18.3 cents today).

Formally titled the Federal-Aid Highway Act of 1956, the original plan assumed that when the system was completed, it would be maintained by the states, and the federal highway program and the federal gas tax/user fee would be eliminated. But by the early 1980s, as the interstate system neared completion, Congress was reluctant to cancel a program that generated a lot of money—and a lot of spending opportunities. To keep the money flowing in, the program was redefined several times; now, general purpose roads—including interstates—receive (according to Heritage Foundation calculations) less than two-thirds of trust fund spending, and the interstate system receives an even smaller fraction.

Where the Money Goes. The worsening current situation is revealed by a quick review of the programmatic spending authorizations mandated in the last highway reauthorization bill passed in 2005 (P.L. 109-59, a.k.a. SAFETEA-LU).[3]

The largest diversion from the $52.7 billion in total spending authorized for fiscal year 2009 from the highway trust fund (including $2.0 billion in general revenues) is the $10.3 billion in direct spending for transit programs (trolleys, buses, commuter rail, etc). Transit riders are also the greatest beneficiary of the Congestion Mitigation and Air Quality program, which absorbs $1.8 billion of the trust fund. Although transit riders account for only 1.8 percent of surface travel passengers and 5 per-

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cent of commuters, they receive a subsidy from the fuel-tax-paying motorists amounting to approximately 20 percent of transportation spending.

Other large diversions from the fund include the Enhancement Program ($657 million), the Appalachian Highway Program ($470 million), Recreational Trails ($85 million), and a transfer of $1 billion from the fund to the Departments of Interior and Agriculture for roads in national parks and forests. These leakages absorbed 27 percent of trust fund spending in 2009.

The next largest series of diversions are the four major earmarked programs—High Priority Projects, Projects of Regional and National Significance, Transportation Projects (Section 1934 of P.L. 109-59), and the National Corridor Infrastructure Improvement Program. Combined, they spend $4.2 billion, bringing the diversion share to 35 percent for the programs listed so far.

In addition, $155 million will be spent on scenic byways, ferry boats, magnetic levitation, and tax-evasion deterrence, while $424 million will be spent just on administrative overhead by the U.S. Department of Transportation. More than $539 million will be spent on another 13 mandated programs, including bicycles, discouraging racial profiling, historic covered bridges, community preservation, innovative finance, and Safe Routes to Schools (which also supports bicycles).

Bringing up the rear is $304 million for the federally mandated Metropolitan Planning Organizations—whose focus is shifting from transportation to land use planning, lifestyle issues, and economic development.

Altogether, these diversions absorb an estimated $19.9 billion in spending, or about 38 percent of the total spent from the trust fund. As a consequence, motorists will receive only about 62 percent of what they have paid into the fund for general purpose roads and safety programs. Redeploying these diverted funds back to the roads used by the motorists and truckers who fund the system would yield the equivalent of a 50 percent increase in new spending for road improvements and capacity increases.

Diversionary Tactics. Achieving a funding increase for roads through more taxes would require a tax increase high enough to raise the equivalent of $1.67 for each dollar to be spent on roads, since the extra $0.67 would be required by the existing diversions, which traditionally share equally in any funding increase.

Thus, if tax increases are used to return to roads an amount equal to the diverted $19.9 billion, fuel taxes would have to be increased by $32.7 billion. These wasted funds are a key reason why the nation's roads are in such bad shape, why congestion is getting worse, and why motorists do not believe that a tax increase would be of benefit to them.

More Road Spending Without a Tax Increase. With many highway and transportation advocates arguing in favor of a fuel tax increase to bring more money to the system, the preceding analysis reveals a goldmine of extra resources that can be used for roads by ending diversions to wasteful and low-priority projects and recommitting them to roads.

Under the circumstances, the combination of existing diversions and the new ones likely to be enacted over the coming year suggest that the federal highway transportation program will become more costly and less effective. As a consequence, proposals to shift transportation responsibility and revenues sources back to the states are even more compelling than before.

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1. See Ronald D. Utt, "Chairman Oberstar's Transportation Plan: A Costly Exercise in Social Engineering," Heritage Foundation *Backgrounder* No. 2348, December 10, 2009, at *http://www.heritage.org/Research/Reports/2009/12/Chairman-Oberstars-Transportation-Plan-A-Costly-Exercise-in-Social-Engineering.*
2. See Ronald D. Utt, "No Tax Increase for Federal Transportation Programs?," Heritage Foundation *WebMemo* No. 2870, April 19, 2010, at *http://www.heritage.org/Research/Reports/2010/04/No-Tax-Increase-for-Federal-Transportation-Programs.*
3. All spending data derived from Federal Highway Administration authorization table, at *http://www.fhwa.dot.gov/safetealu/safetea-lu_authorizations.pdf* (June 29, 2010).