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Congress Should Reprioritize Highway Trust Fund Money to Improve Mobility

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The federal Highway Trust Fund (HTF) faces serious funding shortfalls in fiscal year (FY) 2015 and beyond, in large part due to funding demands from an expanding array of projects other than general purpose roads. Because transportation programs cannot be made immune to current fiscal constraints, it is crucial for Congress to reprioritize HTF spending and recommit to providing cost-effective mobility.

Lawmakers should use upcoming legislative opportunities, including the FY 2014 appropriations cycle and the next highway reauthorization bill, to do the following:

- End cash transfers from the General Fund to the HTF,
- Limit transportation spending to available HTF revenue,
- Begin phasing out programs that are inefficient and locally or regionally based, and
- Fund only programs that improve mobility and safety and relieve traffic congestion.

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The Trust Fund. Unlike federal education, national defense, and homeland security programs, which are funded by general revenues, surface transportation programs are primarily funded with HTF revenues generated by federal motor fuel taxes. The Highway Revenue Act of 1956 established the HTF with the original intent of paying for the construction of the interstate highway system. It set up a "user pays" system, linking the users of the roads and bridges to the costs of building and maintaining them.[1]

By the early 1980s, the interstate highway system was largely complete, but rather than turn over the highway program to the states, Congress chose to expand it and keep collecting the revenue. For example, in 1983 it set up the mass transit account within the HTF in addition to the existing highway account and diverted one-ninth of the then nine-cent-per-gallon gas tax into the new account.

Legislation passed in 1993 increased the motor fuels tax rates to their current levels of 18.3 cents per gallon for gasoline and 24.3 cents per gallon for diesel. The highway account receives 84 percent of the gasoline tax revenue, and the mass transit account receives the remaining 16 percent.[2] Sales taxes on tires, heavy trucks, and trailers also support the trust fund. The revenues are then apportioned to states via statutory formulas.

Growing Diversions. Over the past few decades, lawmakers have diverted more trust fund resources to local and state programs, thus starving general purpose roads of funds.

Transit—including light rail, trolleys, and buses—marks the largest diversion. In 2010 alone, it received 17 percent, or $6 billion, of federal highway user fees, even though it accounted for only about 1 percent of the nation's surface travel.[3] Despite receiving a portion of federal user fees for decades, transit has failed to reduce traffic congestion or even maintain its share of urban travel. For example, between 1983 and 2010, traffic volumes in the nation's 51 major metropolitan areas increased by 87 percent, peak travel times in those areas increased by 125 percent, and transit's share of passenger miles fell by one-fourth.[4]

The transportation alternatives program is another diversion. From FY 2009 to FY 2011, the Federal Highway Administration obligated over $3.1 billion for these activities, which included pedestrian and bicycle paths and facilities, recreation trails, landscaping, environmental mitigation, and transportation museums.[5] The current surface transportation law, Moving Ahead for Progress in the 21st Century (MAP-21), eliminated a handful of previously eligible activities but still required a 2 percent set-aside of total highway funding to fund the remaining ones.

Trust Fund Bailouts. In the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (P.L. 109–59), enacted in 2005, Congress spent more out of the HTF than it collected in fuel tax revenue. Rather than control spending, Congress closed the gap by transferring $29.7 billion from the General Fund into the trust fund's highway account and $4.8 billion into the mass transit account for FY 2008 to FY 2010. Lawmakers continued this practice in MAP-21 with an $18.8 billion cash infusion for FYs 2013 and 2014.[6] Such bailouts perpetuate spending on inefficient transportation programs and worsen federal budget deficits.

Future Funding Challenges. Because of inflation, the federal gasoline tax is effectively worth 11.5 cents today. Assuming the same fuel tax rate of 18.3 cents, states will experience a further decrease in the purchasing power of their federal funding as construction material costs continue rising with inflation.

Additionally, federal subsidies for hybrid and electric vehicles have distorted the market for alternative fuel vehicles, a trend that will likely continue. Drivers of these cars purchase little or no gasoline, which results in less motor fuel tax revenue.

Anticipated upward trends in fuel economy for new passenger vehicles—driven by consumer demand and also by severe increases in federally mandated corporate average fuel economy standards—will also decrease motor fuel consumption and revenues.[7]

Combined with Congress's penchant for spending all the revenue it has and then some, these factors suggest that the HTF cannot support the current size and scope of the federal transportation program. Assuming MAP-21 spending levels, a new five-year highway reauthorization bill, for example, would require $258 billion in funding. However, the Congressional Budget Office projects only $201 billion in HTF revenues over that time frame.[8]

1. See Ronald D. Utt, "Federal Highway Trust Fund: Recommit to Better Highways and Enhanced Mobility," Heritage Foundation *WebMemo* No. 2944, June 30, 2010, http://www.heritage.org/research/reports/2010/06/federal-highway-trust-fund-recommit-to-better-highways-and-enhanced-mobility.
2. Robert S. Kirk et al., "Surface Transportation Funding and Programs Under MAP-21: Moving Ahead for Progress in the 21st Century Act (P.L. 112–141)," Congressional Research Service *Report for Congress*, September 27, 2012, p. 3, https://www.fas.org/sgp/crs/misc/R42762.pdf (accessed April 22, 2013).
3. Wendell Cox, "Transit Policy in an Era of the Shrinking Federal Dollar," Heritage Foundation *Backgrounder* No. 2763, January 31, 2013, http://www.heritage.org/research/reports/2013/01/transit-policy-in-an-era-of-the-shrinking-federal-dollar.
4. Ibid.
5. U.S. Government Accountability Office, *Highway Trust Fund Obligations*, Fiscal Years 2009 to 2011, GAO–13–193, January 16, 2013, p. 9, http://www.gao.gov/assets/660/651315.pdf (accessed April 22, 2013).
6. Kirk et al., p. 3.
7. Nicolas D. Loris and Derrick Morgan, "Cap-and-Trade for Cars Means Higher Prices and Less Choice for Car Buyers," Heritage Foundation *Backgrounder* No. 2751, December 17, 2012, http://www.heritage.org/research/reports/2012/12/cap-and-trade-for-cars-means-higher-prices-and-less-choice-for-car-buyers.
8. Heritage Foundation calculations based on data from Congressional Budget Office, "Projections of the Highway Trust Fund Accounts Under CBO's February 2013 Baseline," February 5, 2013, http://www.cbo.gov/sites/default/files/cbofiles/attachments/43884_HighwayTrustFundAccounts_0.pdf (accessed April 22, 2013).

Recommit Trust Fund Money. In the near-term, Congress should enact the following reforms to achieve savings:

- **End trust fund bailouts by the General Fund.** General Fund cash infusions increase federal spending and budget deficits, which the country cannot afford. They also allow for wasteful spending on programs that would be more appropriately funded by states or localities, if at all.

- **Limit spending in future legislation to available trust fund revenues.** Congress should live within its means, and transportation spending is no exception. This reform should compel lawmakers to reevaluate current spending and deploy resources to efficient, high-priority programs only.

- **End diversions and redeploy funds to road programs.** Phasing out or at least scaling back spending on transportation alternatives and the federal transit program would free up billions of dollars each year that could be redeployed to fund highway and bridge maintenance and capacity expansion projects that improve safety, mobility, and congestion.

Limited Resources. There is—rightly—considerable resistance to raising fuel taxes, particularly at the federal level. Motorists who would pay higher taxes question whether new revenue would fund projects that benefit them by reducing traffic congestion and improving safety.

The reforms outlined above would help lawmakers deal with today's budget realities and focus on getting the most value out of limited resources to improve America's highways, roads, and bridges.

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