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Government Shutdown and the Future of Transportation Funding

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Though the federal government has partially shut down, more than 8,000 employees at the Department of Transportation (DOT) will continue working, because the Highway Trust Fund (HTF)—funded by federal gas tax revenues—is their source of funding. Additionally, 25,000 employees at DOT have been deemed "essential" and will escape furlough.[1]

October 1 also marks the 20th anniversary of the last increase in the federal gas tax, from 14.1 cents per gallon to 18.4 cents. Highway and bridge programs within the HTF are funded by the federal gas tax, as are programs such as transit and transportation alternatives (bicycle and nature paths and sidewalks). The latter, however, are only tangentially related to the general-purpose roads used by the motorists and truckers that pay the tax.

States' transportation needs are growing, but the HTF will be unable to pay for current levels of spending in the next highway bill reauthorization, which comes due one year from now. Congress should reexamine current spending out of the HTF and increasingly empower states and localities to meet their own transportation needs.

Spending vs. Revenue. At the current spending level of $53 billion per year, a six-year reauthorization of the highway bill would cost nearly $320 billion, but the HTF is projected to bring in just under $240 billion in gas tax revenue and interest over that time frame. Congress would need to continue unaffordable cash infusions from the general fund to the HTF—even for a one-year extension—but a tight overall federal budget means they will be less likely to continue this practice.

Lawmakers have a choice: increase revenues or bring spending in line with projected revenues. A gas tax increase, which is regressive, does not have widespread appeal on Capitol Hill. It would also give Congress the excuse to continue spending HTF money on projects that do not improve mobility or reduce congestion. Other proposals that recycle the old idea of "leveraging" federal money via a national infrastructure bank, which would be tied to appropriations, would further a Washington-centric approach to transportation and potentially bring huge risk to taxpayers.[2]

The current shutdown teaches Congress a lesson: less federal and more state and private-sector control of transportation programs mitigate the sector's vulnerability to budgetary impasses and funding lapses. Business can continue with less disruption than if the sector were more or fully dependent on the federal government.

More Work to Do. There is more Congress should do to limit the federal role and empower states to meet their transportation needs, including implementing the following reforms:

- **Transfer programs that are not the responsibility of the federal government to states,**

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localities, and the private sector. Programs such as transit and transportation alternatives (bicycle and nature paths and sidewalks) would be more appropriately funded by states and localities—in some cases in partnership with the private sector—as they are local in nature.[3] Montanans, for example, should not be forced to subsidize the commutes of Manhattans at the expense of road and bridge funding at home. Private-sector competition would also incentivize transit authorities to become more efficient. Further, states such as Virginia and Maryland are changing their own policies to pay for projects, and other states are partnering with the private sector to leverage state public investment in large-scale projects.[4]

- **Remove low-value or non-transportation activities from the HTF.** As long as Congress has a role in transportation policy, it should limit HTF spending to programs that increase mobility, reduce congestion, and improve safety. The motorists and truckers who pay the federal gas tax do not measurably benefit from many programs that currently divert HTF funding, including transit, transportation alternatives, Congestion Mitigation and Air Quality, federal lands access, scenic byways, and community preservation programs. Instead, they face growing congestion and longer commuting. Such programs should be phased out quickly or outright eliminated. Spending that would have gone toward them should be distributed to the states via normal highway formula funding.

- **Improve public and public–private financing mechanisms.** As long as the federal government is involved in transportation and infrastructure funding and financing, it should use existing programs, reforming them if necessary. Creating another financing program, such as a national infrastructure bank, would increase federal bureaucracy and put taxpayers at risk. Congress should also identify and address federal barriers to public–private partnerships so that prepared states can use such arrangements to finance capital-intensive projects.[5]

- **Looking Ahead.** Empowering states and localities to control their own transportation projects and partner with the private sector when it makes sense should be Congress's goal as it works toward the next highway bill reauthorization. Doing so would alleviate the problems and inefficiencies that arise from continuing resolutions and even federal funding lapses and lessen the burdensome, distracting politicization that comes from federal involvement. Importantly, it would equip states to meet their unique transportation needs in smart, cost-effective ways.

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1. Kathryn A. Wolfe, "DOT Will Keep Most Workers on the Job," PolitcoPro, September 30, 2013, https://www.politicopro.com/story/transportation/?id=26354 (accessed October 1, 2013; subscription required).
2. Just as with energy, the federal government should not play the role of transportation banker. See Nicolas D. Loris, "The Department of Energy Should Not Be the Green Banker," Heritage Foundation *Backgrounder* No. 2613, October 6, 2011, http://www.heritage.org/research/reports/2011/10/the-department-of-energy-should-not-be-the-green-banker.
3. See Emily J. Goff, "Congress Should Reprioritize Highway Trust Fund Money to Improve Mobility," Heritage Foundation *Issue Brief* No. 3919, April 22, 2013, http://www.heritage.org/research/reports/2013/04/highway-trust-fund-needs-to-be-reprioritized-to-improve-mobility.
4. See Emily J. Goff, "Virginia and Maryland's Transportation Plans Fuel Tax Hikes, Not Mobility," Heritage Foundation *Issue Brief* No. 3883, March 25, 2013, http://www.heritage.org/research/reports/2013/03/virginia-and-maryland-s-transportation-plans-fuel-tax-hikes-not-mobility.
5. William G. Reinhardt and Ronald D. Utt, "Can Public–Private Partnerships Fill the Transportation Funding Gap?," Heritage Foundation *Backgrounder* No. 2683, January 13, 2012, http://www.heritage.org/research/reports/2012/01/can-public-private-partnerships-fill-the-transportation-funding-gap.