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Transportation re-think

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Back during the administration of President Dwight Eisenhower, the original version of the Federal Highway Trust Fund was born, with the aim of dedicating funding to the interstate highways that now link America from corner to corner. The trust fund derives its revenue from the federal gas tax, which has remained at 18.4 cents a gallon since 1993.

Higher construction costs and today's more fuel-efficient vehicles have slowed that revenue flow to the point where the gas tax produces only about \$34 billion annually, far less than the approximately \$50 billion in annual trust fund expenditures. With today's gasoline prices hovering just above \$2 and the possibility that they will move ever lower, Republican Sen. Bob Corker of Tennessee believes the time is right to increase the gas tax by 12 cents a gallon over two years. He has submitted legislation to do just that.

Under our current system, a gas tax increase would seem appropriate to help meet the needs of a highway and bridge system that is aging and increasingly in need of attention. Requiring users to pay for highway and bridge construction and maintenance is a rational approach, and that's exactly what the gas tax should do.

But what if Congress were to embark, instead, on a complete reform of the Federal Highway Administration — one that would leave the federal government responsible primarily for the interstate highway and bridge system? Then look to state governments, new types of user charges, public-private partnerships and privatization to fund innovative solutions that best provide the mass transit systems and the vast array of other transportation costs now financed out of the Highway Trust Fund.

That was the idea advanced before the Senate Finance Committee less than a year ago by Chris Edwards, the director of tax policy studies at the Cato Institute. And Edwards makes a strong case for his proposal.

First, Edwards observed, while the nation's system of highways and bridges is aging and the gas tax, unless significantly increased, will fall short as a highway funding mechanism in the years ahead, the highway infrastructure actually is getting better. He cites Federal Highway Administration data showing that, of the nation's more than 600,000 bridges, those that are "structurally deficient" have decreased from 22 percent in 1992 to 10 percent in 2012. Other FHWA data show that the interstate highways have become "smoother and less deteriorated" since the 1990s.

Federal highway aid redistribution creates winning and losing states, said Edwards. Decisions are dictated more by membership on the key congressional committees than by the overall needs of the nation. The availability of such funding also results in state and local transportation choices aimed more at attracting such aid than in providing flexible, cost-efficient and truly needed

systems. Because states often regard federal transportation funding as “free money,” projects lack strong incentives for local cost controls and often result in enormous cost overruns. Edwards argued that revenues collected and disbursed at state and local levels allow for greater flexibility, responsiveness and accountability to voters.

The original intent of the Highway Trust Fund was to use fuel taxes to fund construction of the Interstate Highway System. But Edwards said that one-quarter of those fuel tax funds now are siphoned off for myriad non-highway purposes. Ending federal aid for transit and other non-highway spending would put the Highway Trust Fund back in balance, he said.

In other high-income nations around the world, there is a trend toward privatization and public-private partnerships for infrastructure projects, said Edwards. Foreign experience indicates that such projects are more likely to be completed on time and on budget. “When private businesses are taking risks and putting their profits on the line,” he said, “funding is more likely to be allocated to high-return projects and completed in the most efficient manner.”

For Congress to reject the status quo and seriously consider the changes proposed by Edwards, members would have to withstand intense pressure from the powerful transportation lobby. But how refreshing it would be if, for a change, our nation’s legislators were to look past political considerations and focus on creative solutions to provide the greatest possible bang for the taxpayer’s hard-earned buck.