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5 Crucial Facts About the So-Called 'Transportation Cliff'

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Pundits are fretting over the looming insolvency of the Highway Trust Fund, which some call the "transportation cliff." The fund, which distributes federal gas taxes to the states, is expected to run out of money in August, while Congressional authority to even collect gas taxes will expire in September.

The real battle is not over the cliff but how Congress spends the renewed gas tax. Here are five facts to help people understand this debate.

1. The transportation cliff resulted from overspending.

For four decades after creating the Highway Trust Fund in 1956, Congress ensured transportation spending did not exceed revenues.

In 1998, however, Congress consciously decided to spend beyond its means. Since revenues declined in 2007, Congress has had to transfer $55 billion in general funds to the Highway Trust Fund. This is not a subsidy to highways; it is a subsidy to Congress' lack of frugality.

2. User fees are better than taxes.

Despite alarms about crumbling infrastructure, much of our transportation infrastructure is in good shape, including state highways, airports and railroads. Local roads and transit systems, on the other hand, are in relatively poor shape. The difference is that user fees pay for most of the former while taxes pay for most of the latter.

For example, the state highway "roughness index" and the number of structurally deficient bridges have both steadily declined for more than two decades. Meanwhile, America's rail transit systems have a $60 billion maintenance backlog and transit agencies aren't even spending enough to keep them in their current poor state of repair.

Legislators value ribbon-cutting ceremonies over routine maintenance, so when taxes fund infrastructure, governments build more than they can maintain. If fees can't support the construction and maintenance of a piece of infrastructure, then it shouldn't be built.

3. Raising gas taxes is not the solution.

It is tempting to think Congress could solve the problems by simply raising gas taxes. But gas taxes, like a user fee, are far from perfect.

They fail to give users information about the true cost of roads or contractors information about the real demand for travel. They cover most costs of state highways but only about a quarter of the costs of local roads. They do nothing to mitigate rush-hour congestion.

Moreover, since the real problem is not a shortage of revenues but excessive spending, raising gas taxes would only give Congress more money to spend on pork-barrel projects while failing to prevent another transportation cliff. Mileage-based user fees that guarantee people's privacy would solve all of these problems, and hastening the transition to such fees would be better than raising taxes.

4. Competitive grants equal pork.

The Obama administration wants to put more transportation dollars into competitive grants, arguing that such grants can be spent where they are really needed.

In fact, competitive grants are really political grants. Just before the 2010 election, for example, the administration gave a high-speed rail grant to California on the condition that the funds be spent in the district of a Democratic congressman who was facing a tough re-election campaign.

Competitive grants have funded some of the most wasteful transportation projects ever. These include transit projects in Dallas, Nashville, Portland and elsewhere that attract so few riders it would have been less expensive to give every daily round-trip rider a new Toyota Prius every two years for 30 years.

5. The feds aren't really needed.

The federal government is just a middleman between the oil companies, which pay the gas tax, and the states, which spend the money. A transition to mileage-based user fees eliminates the need for that middleman. Since Congress seems incapable of responsibly spending within its means, we are better off shifting transportation funding to state and local governments and to commuters.

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