



## Highway Trust Fund Nearly Out of Money; Policymakers Debate Solutions

Tom Gantert  
July 1, 2014

The U.S. Department of Transportation has created a “ticker” that estimates when the fund that is earmarked to pay for highways across the nation will run out of money. The government estimates, by the end of August, the Highway Account of the Highway Trust Fund will be in shortfall.

That’s triggered a flurry of debate as to how to deal with the Highway Trust Fund, the \$50 billion fund that receives revenue from the federal gas tax.

The federal gas tax was last raised to 18.4 cents a gallon in 1993, up from 4 cents in 1982. Twenty years without a tax increase has caused some of the funding issues, but overspending also has been a problem.

In 2015, highway spending could exceed revenues by nearly \$15 billion, according to The Committee for a Responsible Federal Budget.

### **Bipartisan Tax Increase Proposal**

U.S. Senators Bob Corker (R-TN) and Chris Murphy (D-CN) put together a bipartisan proposal for the Highway Trust Fund. The Corker-Murphy proposal would increase the federal gasoline and diesel taxes by six cents in each of the next two years for a total of 12 cents. The plan would also index the gas tax to inflation.

“For too long, Congress has shied away from taking serious action to update our country’s aging infrastructure,” Murphy said in a press statement. “We’re currently facing a transportation crisis that will only get worse if we don’t take bold action to fund the Highway Trust Fund. By modestly raising the federal gas tax, we can address a crippling economic liability for this country—the inability to finance long-term improvements to our crumbling national infrastructure.”

William McBride, chief economist at the Tax Foundation, said Congress wants to raise revenue for the Highway Trust Fund and he thinks the Corker-Murphy proposal is the

best option he's seen. Another option included ending U.S. Postal Service delivery on Saturday and sending the savings to the highway fund.

Randal O'Toole, a senior fellow at the Cato Institute who works on transportation issues, called the post office idea "absurd."

"The money saved from 10 years of Postal Service cuts would barely fund one year of transportation deficits," O'Toole said.

### **No Inflation Adjustments**

McBride said the main problem is the Highway Trust Fund is not an effective revenue system because motor fuel taxes are not indexed for inflation.

"The voters don't want to pay more gas tax," McBride said. "They are enjoying the annual gas tax cut that results from no inflation. If you are going to let that tax go down, you have to let the spending go down, too."

Supporters of motor fuel taxes like them because highway users pay the tax.

"The essential principle is the user pays the cost of it," McBride said.

However, Jonathan Williams, director of Tax and Fiscal Policy Task Force for the American Legislative Exchange Council, studied the Highway Trust Fund in 2007 and found that gas taxes have been spent on far more than just crumbling highways. This raises concerns over how Highway Trust Fund money would be spent if taxes are increased.

### **Big Gas Tax Diversions**

Williams found that Highway Trust fund dollars have been spent on things such as public education, museums, parking garages and graffiti removal. He said it is premature to increase gas taxes until Americans can be assured the money would be spent on legitimate road construction projects.

"There's just so much diversion of funds," Williams said.

Nothing has changed since Williams's study. Chris Edwards, director of tax policy studies at the Cato Institute, raised similar concerns in testimony in May to the Senate Finance Committee.

"There is no reason to raise the federal gas tax," Edwards said. "You send the money to Washington, a lot of it gets lost in paper work and bureaucracy and pork barrel politics."

### **1/4 for 'Non-Highway Purposes'**

In his testimony, Edwards noted, since the 1970s, “fuel taxes have been siphoned off for non-highway purposes, particularly with the creation of the transit program in 1982. About one-quarter of HTF spending today is for non-highway purposes.”

O’Toole said in the last decade, Congress has diverted \$55 billion of gas tax revenues to public transit.

“Congress has until the end of August to do something about the dwindling Trust Fund and until October 1 to reauthorize the gas tax,” O’Toole said. “Unless fiscal conservatives apply intense pressure, Congress is most likely to throw more General Funds at the Trust Fund and extend the current bad system another two years.”

### **More State Responsibility**

Some policy analysts believe the states should take the lead when it comes to highway funding.

“Instead of having this discussion in Washington, we should be having it at 50 state capitols,” Williams said.

That is happening in Michigan, where legislators have debated how to pay to repair crumbling roads due in part to the harsh winter of 2013-2014.

“As I’ve said for some time, we need a sustainable, long-term approach toward improving our crumbling roads and bridges,” Michigan Gov. Rick Snyder (R) said recently in a press statement. “Our challenge moving forward is to arrive -- together -- on a plan that will serve Michigan long into the future.”

The federal government accounts for more than 25 percent of total highway funding. States and local governments primarily pay for the rest of it, according to The Committee for a Responsible Federal Budget.