Federal Surface Transportation Policy: A New Focus for The Road Ahead

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The Road Ahead, Empire Center, November 19, 2014
Highway Trust Fund Short on Cash

• Highway Trust Fund (HTF) will suffer from a projected $15 billion annual gap between spending and revenue, FY15 on

• Unsustainable practice: spending more than collecting in revenue and interest

• President Reagan: “No government ever voluntarily reduces itself in size…”
What did Congress do?

- Repeated patches to the HTF via General Fund (it’s broke, too) and LUST Fund transfers

- Nearly $65 billion since 2008

- FY 2014: $10.8 billion extension relied on 10 years of pay-fors for 9 months of spending, and gimmick called ‘pension smoothing’
Some ideas to fix things

• Rep. Peter DeFazio (OR): repeal gas tax, replace with higher tax at oil refinery level

• Sen. Chris Murphy (CT): increase fuel taxes by 12 cents over two years

• Sen. Barbara Boxer (CA): replace gas tax with sales tax on wholesale oil purchases

• All concerned with generating more revenue; ignore spending and other flaws in federal policy
Two Big Deficiencies in the Program

- 1. No clear, guiding purpose
- 2. Onerous regulations burden states, private sector
No Guiding Purpose

• Diversions to low-priority or purely local activities
  – $1 million bicycle path in Rochester
  – $2.5 million Main Street revitalization in Williamsville
  – $2.4 million bicycle and sidewalks along Hudson River

• Ferry boats, Puerto Rican highways, federal lands access and transportation programs

• Mass Transit: federal grants and other subsidies drive up operating costs, prioritize new projects (i.e. ribbon cutting) over maintenance.
  – Purely local or regional, not federal
Onerous Regulations

- Davis-Bacon Act – wage requirements
- NEPA environmental reviews (litigious nature)
- Buy America requirements
- Revenue-generating restrictions, e.g. interstate tolling
A Better Way Forward

• Newly focused role, concerned with addressing problems that are federal in nature
• Common problem doesn’t always require/benefit from national solution

• Election means new Committee leaders; still predict efforts at multi-year bill
What to do

• Set new focus, establish appropriate vision
• Enjoy newfound credibility in institutions, including Congress
• Figure out funding amount based on refocused federal role
• Put consumers first (dedicate fuel tax dollars to roads and bridges)
• Preserve legitimate federal role, empower states to handle activities in their domain
States Taking Charge

- 28 states (and growing) have launched revenue-generating initiatives
- Gas tax, sales tax rates, PABs, general revenue bonds, PPPs, VMT pilot program, tolling, or other long-term concession financing
- Fiscal Independence: Pennsylvania and Utah
- Just the beginning
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