

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

Emily Goff
The Heritage Foundation

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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

Contact:
@emilyjgoff
Emily.Goff@heritage.org
(202) 608-6212