Federal Uncertainty on Transportation Leaves States Up in the Air

By Sean Slone [1]
Thursday, September 25, 2014 at 11:52 AM
WASHINGTON, D.C.—Congress' decision this summer to once again tap general funds to temporarily patch up the dwindling federal Highway Trust Fund loomed large over discussions at the CSG Transportation Policy Academy in Washington, D.C., Sept. 15-17.

"Congress did give us a bit of breathing room (but) it's going to run out really quickly," Carlos Monje, counselor to U.S. Transportation Secretary Anthony Foxx, told participants during a meeting at the U.S. Department of Transportation. "We need to get Congress to do what it always has done, which is to pass a bipartisan bill and try to do it as quickly as possible."

The latest trust fund patch and extension of 2012's MAP-21 surface transportation authorization bill until May 2015 had many of the state legislators in attendance concerned about continued uncertainty of the federal program.

"We need a long-term bill," said South Dakota Sen. Mike Vehle, who this summer is chairing a special committee on highway needs and financing in his state. "These extensions are tough on everyone for planning."


"We're all going to be holding our breath when we go to budget in January," she said. "We have to pass our budget by May and (then) the construction season (begins)."

Joung Lee of the American Association of State Highway and Transportation Officials, called the funding uncertainty "a chronic problem."

"We're spending essentially $17 billion more out of the Highway Trust Fund than what it takes in from fuel taxes and truck fees and the like on average each year," he said.

Congress is unable to address the underlying problem for the long term because members can't decide between two difficult political choices, said Joshua Schank, president and CEO of the Eno Center for Transportation, a Washington, D.C., think tank.

"The choice is either we cut spending or we raise revenues to match the amount of spending we want,
and they are unwilling to do either of those things,” he said. “It’s very hard to go back to your constituents and say ‘we’ve decided to cut transportation spending, re-elect me.’ It’s also very hard to go back to them and say ‘you need to pay more in gas taxes.’ And both of those hard choices have been avoided.”

**Potential Solutions**

The Eno Center for Transportation is preparing a report that will recommend alternative approaches to fund the nation’s transportation system.

“(W)e could keep doing what we’re doing, which is dedicate a portion of general fund revenues to supplement gas tax revenues, but we could actually admit that we’re doing this and therefore make a long-term commitment to doing it and therefore give states certainty about how much money is coming in,” said Schank.

Another option, he said, is ending the Highway Trust Fund and dedicating fees from other areas to transportation.

“So, for example, you could have a portion of the income tax dedicated to transportation,” Schank said. “There’s a huge amount of logic to that. Transportation contributes to GDP—approximately 10 percent of GDP. Even 10 percent of the income tax would be more than enough to pay for our transportation program.

“An income tax makes a lot more sense because then you don’t have the fights over which mode is getting how much money. You don’t have the fights over how much is my state getting back. Instead you can focus the investment where it’s most needed.”

Another option, albeit a potentially politically challenging one, Schank said, would be a national sales tax. He argued it makes some sense to divorce transportation from the gas tax, a revenue source in decline, and to recognize that a user fee-based system is no longer a reality in this country or even necessarily a worthy goal.

“The benefits of transportation are economic, they’re environmental, they’re safety,” he said. “There (are) a lot of benefits. Those benefits are not just going to the users. The benefits are going to everybody. When you reduce the cost of transportation, you reduce the cost of goods for people who may not be traveling at all.

“The benefits are going to everybody so then why shouldn’t everybody be paying? The fact that just the users are paying is weird and we wouldn’t expect that from any other component of our federal programs. The people who are benefitting should be paying into the system. Everybody benefits, everybody should pay.”

But Vehle, the South Dakota senator, said getting rid of the Trust Fund wouldn’t work for rural states like his.

“Because (in South Dakota) we’re not going to be able to tax our people in order to pay for (the roads),” he said. He compared South Dakota and Florida, which has nearly 20 million people who can help pay for the roads.
“We’ve got 850,000 and that’s sometimes counting dogs, cats and mice,” said Vehle.

Others, like Emily Goff of the Heritage Foundation, a conservative Washington, D.C., think tank, believe Congress should just move the federal transportation program back to its roots.

“I think one thing we learned in this most recent federal highway and transit bill fight is that the federal highway and transit programs don’t have a single guiding purpose anymore,” she said. “That’s why you didn’t have a six-year, long-term bill. That’s why you didn’t have any policy changes. That’s why you had yet another patch, another general fund bailout of the trust fund. You weren’t able to get a gas tax increase or any other new revenue.

“My near term solution is before we talk about more money at the federal level, let’s clean up the mess that is the highway and transit program,” Goff said. “It should be … returned to its original purpose, which is to fund roads and bridges that are benefitting the motorists who are (paying for them).”

She said things like transit, bike paths and nature trails are best done at the state and local level.

But Sarah Kline of Transportation for America, a coalition of local officials that advocates for transportation concerns, said federal interest in transportation should not be just roads.

“We would never say the federal interest is in a piece of transportation equipment,” said Sarah Kline of Transportation for America, a coalition of local officials that advocates for transportation concerns. “It’s in an outcome. It’s in a stronger economy or it’s in a cleaner environment or it’s in a safer community for people to live in. These are the types of goals that I think we are looking at in terms of trying to develop a federal transportation program and helping state and local folks also work towards these outcomes.”

Kevin DeGood of the Center for American Progress, a Washington, D.C.-based advocacy organization, said changing demographics and other factors show policymakers are asking for the wrong thing.

“You shouldn’t be asking for roads,” he said. “You should be figuring out ways to provide people options not to drive. We need better land use and we need to support that better land use with roads that are safe for pedestrians and have lots of public transportation and for our longer trips, we need to have intercity passenger rail.”

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Resources

U.S. Department of Transportation [3]
Eno Center for Transportation [5]
Heritage Foundation: Transportation [6]
Center for American Progress: "Switching from a Gas Tax to a Mileage-Based User Fee" [8]
American Society of Civil Engineers, “Report Card for America’s Infrastructure.” [12]
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