Highway Trust Fund

Congress created the Highway Trust Fund (HTF) in 1956 to ensure steady funding for construction of the Interstate Highway System. In doing so, Congress established the user-supported federal funding system that today supports roads and public transportation.

Who Pays and How Much?
Federal excise taxes on fuel and truck, trailer, and tire sales and from heavy vehicle use are deposited into the HTF. The largest funding source is the gas tax of 18.4¢ per gallon, which has not been raised since 1993. Revenues are divided between the Highway and Mass Transit Accounts of the HTF.

Why Are User Fees Critical?
As long as more than 90% of revenues in the HTF come from user fees, the programs funded by the HTF receive a special type of federal budget authority called “contract authority.” Without contract authority, states and communities cannot make realistic plans for large capital investments in job-producing, economically beneficial projects using federal funds.

An Uncertain Future
The HTF reimburses states and communities for their expenditures, so there has to be enough cash in it to pay the bills. Otherwise, revenues must increase or spending must decrease.

In September 2008, the U.S. Department of Transportation (DOT) announced that the HTF did not have enough cash to cover its obligations for fiscal year 2008 owing, in part, to a decline in driving and the increased use of fuel-efficient vehicles. DOT delayed payments to states for transportation projects until Congress supplemented the HTF with $8 billion from general tax revenues. In June 2009, DOT estimated that the HTF will require another general fund transfer -- or program cuts -- to make it through FY 2009.

To make matters worse, HTF revenue projections for 2010 and beyond show that federal investment levels will have to decrease significantly unless revenues increase.

What Do We Do?
SAFETEA-LU, the law that authorizes federal highway and public transportation programs and the associated spending, expires on September 30, 2009. If Congress does not act to increase the revenues flowing into the HTF, the level of investment by the federal government into highways and public transportation spending will decrease substantially. SAFETEA-LU reauthorization must deal with revenue issues as well as policy and program reforms.

Congress created two commissions that recommended increasing fuel tax rates in SAFETEA-LU reauthorization as well as laying the groundwork for new user fees that are not based on fossil fuel consumption. Raising the tax on gasoline and diesel is the most straightforward and efficient way to obtain needed revenues.

The battle in Washington has already begun over SAFETEA-LU reauthorization, both to find revenues and to determine policy priorities to guide investments. This effort is too important to fail.

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