



Can Congress Shift into Drive? Federal Highway Funding

Overview

Throughout the 20th century, our national network of roads, bridges, and transit systems connected once isolated regions and led to economic growth from large cities to small towns. Yet today, our transportation infrastructure is in disrepair, and the US is falling behind its competitors in highway investment. Both business and labor groups have argued for a more robust federal response to these problems, to improve American competitiveness and grow the domestic economy.

How does the government fund highways?

In 1956, Congress created a federal Highway Trust Fund to provide a dedicated source of funding to support major transportation projects, including the monumental task of establishing an interstate highway system. The Trust Fund receives revenue through taxes on gasoline, diesel fuel, and commercial vehicles. This revenue is allocated by Congress through multi-year highway spending bills, allowing state and local governments to undertake large-scale projects that require long-term financial commitments. Typically, the federal government provides about 80 percent of a project's funding, requiring state and local governments to cover the balance of the project's costs.

How did transportation funding become contentious?

A number of different factors have made the federal transportation debate increasingly controversial, leading to years of short-term patches rather than seamless transitions to new highway policies.

- The inequity between “donor states”—those states paying more in transportation taxes than they received back in funding—and “donee states”—those states receiving more in funding than they pay in taxes—has been an overriding policy concern for decades. Provisions aimed at balancing this issue have been included in every highway bill passed since 1982. A 2010 study by the Government Accountability Office (GAO) found that provisions in the most recent highway bill essentially eliminated the disparity, with 49 states receiving more in funding than provided in revenue.
- As gas mileage has improved over the years, federal receipts from the gas tax have failed to keep pace with highway spending. As a result, Congress has been forced to provide about \$30 billion in cash infusions to the Trust Fund to cover its obligations. Ideological concerns about new revenues have at times complicated the development of a long-term solution to this imbalance.
- The burdensome planning and permitting process required to initiate a federally-funded project has significantly slowed the economic impact of new construction, while also adding unnecessarily to project costs. Adding to this complexity, there are over 90 different federal surface transportation programs operating today—many with overlapping responsibilities.
- While earmarks had traditionally helped build support in Congress for transportation spending packages, recent pledges and bans against earmarked funds have lessened the appeal of such spending for many in Congress.

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Key Facts

- Average Time to Complete a Federally-Funded Highway Project: **13 years**
- Infrastructure Spending (% GDP):
 - China: **9.0%**
 - European Union: **5.0%**
 - United States: **2.4%**
- Cost of Infrastructure Deficiencies to Users in 2010: **\$130 billion**
- Road Quality Ranking (ASCE, 2011):
 - #1: Singapore
 - #2: France
 - #3: Switzerland
 - #19: United States

Other Resources

- Congressional Research Service —
 - [Federalism Issues in Surface Transportation Policy \(RL40431\)](#)
 - [The Federal Excise Tax on Gasoline & the Highway Trust Fund \(RL30304\)](#)
- US Federal Highway Administration (FHWA) — [Strategic Plan](#)
- Americans for Transportation Mobility — [Surface Transportation 101](#)
- American Society of Civil Engineers (ASCE) – [Failure to Act Report](#)
- Urban Institute — [Funding and Investing in Infrastructure](#)
- Center for American Progress – [Infrastructure Spending Builds American Jobs](#)

Links to Other Resources

- Congressional Research Service (CRS) — Federalism Issues in Surface Transportation Policy (RL40431)
http://assets.opencrs.com/rpts/R40431_20110420.pdf
- Congressional Research Service (CRS) — The Federal Excise Tax on Gasoline & the Highway Trust Fund (RL30304)
<http://www.cnle.org/nle/crsreports/06may/rl30304.pdf>
- US Federal Highway Administration (FHWA) – Strategic Plan
<http://www.fhwa.dot.gov/policy/fhplan.htm#highway>
- Americans for Transportation Mobility – Surface Transportation 101
<http://www.fasterbettersafer.org/questions-a-answers.html>
- American Society of Civil Engineers (ASCE) – Failure to Act Report
<http://www.asce.org/infrastructure/report-card/economic-study/>
- Urban Institute – Funding and Investing in Infrastructure
<http://www.urban.org/UploadedPDF/412481-Funding-and-Investing-in-Infrastructure.pdf>
- Center for American Progress – Infrastructure Spending Builds American Jobs
http://www.americanprogress.org/issues/2011/09/jobs_infrastructure.html