Sustainable Financing for Transportation

ISSUE

Federal investment in transportation infrastructure plays an essential role in protecting public health and safety, promoting commerce and keeping America competitive. Tremendous headway was made in 2012 with enactment of the Moving Ahead for Progress in the 21st Century Act (MAP-21), which provided two years of funding stability for highway and transit programs while delivering much-needed reforms to streamline project delivery and focus on core national interests. These important changes are already reducing costs and bringing project benefits to the public faster.

Unfortunately, MAP-21 did not provide for the long-term financial stability of the Highway Trust Fund (HTF). According to the Congressional Budget Office, the balance of the HTF will be depleted in Fiscal Year 2015, necessitating dramatic cuts in highway and transit spending unless new revenues are provided. Absent congressional action, highway program funding would fall from $40 billion to approximately $4 billion, while funding for transit projects would fall from $11 billion to $7 billion. These cuts would have a devastating impact on state and local transportation agencies and postpone critical projects to improve safety, reduce congestion and enhance mobility.

Continued underinvestment in transportation infrastructure will only hamper economic growth. Deteriorating roads and bridges and worsening congestion have raised the price of doing business through increased maintenance costs, wasted fuel and delayed shipments. Last year, our economy was crippled by $121 billion in congestion costs, or $818 per U.S. commuter, and an additional $230 billion in economic costs from accidents.

Conversely, a long-term solution to the revenue challenges facing the HTF would boost the economy while also reducing the deficit. With predictable, sustainable and growing revenue sources – particularly user fees – the Highway Trust Fund will support infrastructure investments that foster economic growth in a fiscally responsible way. A wide array of options have been identified that would help to address the challenge, including increasing and indexing the current user fees, switching to a sales tax on fuel, mileage-based fees, tolling, bonding and other financing mechanisms, freight charges, and revenues from increased domestic energy production.

KEY POINTS

- Transportation infrastructure forms the basis of continued economic growth. Every dollar invested in highway construction generates up to $8 in economic output. According to the U.S. DOT, each $1 billion in federal highway investment supports 34,000 jobs.

- The Highway Trust Fund is on an unsustainable fiscal path. At least $15 billion is needed in additional annual revenues in order to simply maintain current funding levels, adjusted for inflation, over the next ten years.

ACTION REQUESTED

- Protect current funding levels for federal infrastructure programs that support highways, transit, aviation, rail, ports and other transportation systems.

- Address the looming Highway Trust Fund fiscal crisis with new sources of revenue.