FACT VS. FICTION:

TRANSPORTATION FUNDING & POLITICS

FICTION:

Eliminating the federal gas tax and turning the highway and transit program over to the states will solve the nation's key transportation challenges.

FACT:

Such a proposal is a classic Washington political "bait-and-switch" scheme. Abolishing the federal gas tax would eliminate the source of funding for 52 percent of annual U.S. highway and bridge capital improvements and force states to fill the massive investment gap with their own resources.

State and local governments have actually cut their own highway and bridge capital investments by more than 15 percent since 2008, hardly reassuring evidence they are ready to assume a larger role in confronting a clearly national challenge.

On average, states would have to increase their gas tax by about 23 cents-per-gallon, or find equivalent revenues, to make up for the elimination of the 18.3 cents-per-gallon federal gas tax, which has not changed since 1993. No governor—Republican or Democrat—has stepped forward to endorse the so-called "devolution" concept.

FICTION:

Support a gas tax increase and you'll lose your next election.

FACT:

Of the 14 governors who approved a gas tax increase since 1997 and stood for re-election, 13 were voted back into office, according to an analysis by the Transportation Investment Advocacy Center™ (www.transportationinvestment.org). Nine of those were Republican governors.

Transportation funding truly is a bipartisan issue. Of the 36 gas tax and gasoline sales tax increases approved by states since 1997, 78 percent occurred in states with divided governance or solid Republican control:

- 13 (36 percent) occurred where the governor and legislature were from different parties at the time of legislative action to increase the state gas tax;
- 15 (42 percent) had a Republican governor, house/assembly and senate at the time of legislative action; and
- 8 (22 percent) happened where there was a Democrat governor, house/assembly, and senate at the time of legislative action.

FICTION:

Gas tax revenues are declining.

FACT:

Revenues from the major federal user fees, including gasoline and diesel fuel, grew seven percent in fiscal year 2014 and are near or have exceeded pre-recession levels.[1]

A total of $40.2 billion in user fee excise taxes were collected for the Highway Trust Fund in FY 2014, up seven percent from $37.6 billion in FY 2013 and up four percent from pre-recession levels of $38.7 billion in FY 2008.

The $40.2 billion in revenue for FY 2014 included:

- $25 billion in gasoline fuel taxes;
- $10.2 billion in diesel fuel taxes; and
- $5 billion in truck, trailer, tire and federal use taxes.

FICTION:

Recent activity in state gas tax increases is unprecedented and shows less reliance on the federal aid program.

FACT:

State legislatures have approved increases in their state motor fuel tax rate or state sales tax on gasoline a total of 36 times since 1997, and many have happened around the time Congress passed a highway-transit law.

A total of 10 increases were passed between 1997 and 1999, when the federal-aid highway bill TEA-21 was enacted. Seven increases were approved in 2003 to 2005 before the SAFETEA-LU bill was enacted. Between 2006 and 2012, there were five increases, followed by eight increases in 2013 and 2014 after MAP-21.

These recent actions at the state level to fund infrastructure improvements also repudiate the claim made by some ideological groups that there is no political support for fuel tax increases.

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[1] *U.S. Department of Treasury, Highway Trust Fund report 69X8102, Income Statements and FHWA Highway Statistics.*

FICTION:
People aren't willing to pay more for transportation.

FACT:
In the last 10 years, voters have approved 74 percent of the 655 initiatives to increase state, county or local transportation funding. Over 78 percent of these were to increase or renew a sales tax, property tax or income tax for transportation investment.

FICTION:
Increasing the gas tax means you will pay more at the pump.

FACT:
Increases in gasoline prices are almost entirely influenced by the price of oil and its refining and distribution, not gasoline taxes.

The experiences of Minnesota, California and Massachusetts demonstrate that a gasoline tax increase does not result in higher gasoline prices. Rather, changes in state gasoline prices reflected national trends.[2]

- Gas prices in Massachusetts fell by 0.2 percent the same week the state implemented a three- cents-per-gallon gas tax increase on July 30, 2013. Nationwide the price of fuel fell by an average of 0.4 percent that same week. Gas prices in Massachusetts continued to decline, along with the national average, through November 2013.

- The same is true in California, where the state gas tax increased by 3.5 cents-per-gallon on July 1, 2013. The average price of gasoline fell by two percent that week, and another 0.4 percent the next week, similar to overall trends in the national market.

- In July 2000, Indiana and Illinois suspended their state sales tax on gasoline with the expectation that there would be a sharp and sustained decline in prices at the pump. In the end, motorists "saved" an average of four cents-per-gallon, or about $2 to $2.50 per month, while the state ended up losing as much as 7.5 cents-per-gallon in taxes. Oil companies, gasoline stations and other suppliers of gasoline received about 3.5 cents-per-gallon from the tax cut. Indiana estimated the potential loss in revenue was $40 million, while the cost in Illinois was over $300 million—money that could have been invested in repairing the roads and bridges in each state.

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[2] *U. S. Energy Information Administration, weekly retail gasoline prices*

FICTION:

Before raising revenues to build new roads, we need to fix what we have first.

FACT:

Only seven percent of federal aid funds were spent on the construction of new roads and bridges in 2013, according to the U.S. Government Accountability Office (GAO).[3]

An additional 64 percent of federal aid funds were spent on road and bridge reconstruction, resurfacing, rehabilitation, replacement or safety improvements. Twenty percent was spent on preliminary engineering, right of way and project development activities.

FICTION:

Stop using federal Highway Trust Fund (HTF) revenues for transit, bike paths, sidewalks and "beautification projects," and there will be enough money for road construction projects.

FACT:

While it is true that some states use federal HTF dollars for pedestrian, bicycle and other non-road projects, it warrants a closer look at how much of the money is actually used for these activities.

According to an October 2014 report by the Government Accountability Office (GAO) that broke down HTF Highway Account obligations by state formula in FY 2013, sidewalk and bike trail spending account for one percent of the $39 billion invested. GAO found that another one percent of HTF Highway Account expenditures for Fiscal Year 2013 were for historic preservation and scenic byway improvements.

Claims of drastic savings by cutting "non-highway" expenditures usually fail to mention that such spending reduction promises are only achieved by eliminating HTF support of public transportation—a proposal that Congress has repeatedly rejected by broad bipartisan majorities.

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[3] *U.S. Government Accountability Office, HIGHWAY TRUST FUND: DOT Has Opportunities to Improve Tracking and Reporting of Highway Spending, October 2014 .*

[4] *Ibid.*

FICTION:

Public-Private Partnerships (P3s) are the solution to all of the nation's transportation funding challenges.

FACT:

P3s are a critical financing tool, especially on projects that add capacity, but they are only a small part of the transportation market, and are not a replacement for traditional funding mechanisms.

Of the 96 U.S. transportation projects financed or built with P3 mechanisms between 1989 and 2011, 65 percent occurred in just eight states and P3 activity represents about two to five percent of the national highway and bridge construction market. P3s are certainly part of the solution—especially for large, more complex projects—but alone are not a panacea. In addition, there are currently 18 states that do not even have enabling legislation for a transportation P3 program.[5]

FICTION:

People are driving a lot less so we don't need to spend as much money on road and bridge improvements.

FACT:

The Federal Highway Administration's (FHWA) long-term economic outlook forecasts total vehicle miles traveled (VMT) will grow at an annual rate of over one percent per year for the next 20 years, exceeding the anticipated U.S. population growth of 0.7 percent annual growth.[6]

Although individual driving habits may change or the rate of growth in VMT is less than before, what matters for the nation's infrastructure is that there will be increased travel and wear and tear on highways and bridges. Americans drove an estimated three trillion miles in 2014, up 1.7 percent from 2013.[7]

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[5] *Reinhardt, William. The Role of Private Investment in Meeting U.S. Transportation Infrastructure Needs. ARTBA Transportation Development Foundation, May 2011.*

[6] *FHWA Forecasts of Vehicle Miles Traveled (VMT): May 2014.*

[7] *FHWA, December 2014 Traffic Volume Trends Monthly Report, November 2014 .*

FICTION:

Federal highway funds are just a small part of state programs, accounting for 25 percent of total state department of transportation (DOT) revenues.

FACT:

Although reimbursements from the FHWA to state DOTs accounted for 25 percent of total highway and bridge program revenues in 2013, this investment supported an average of 52 percent of state spending on capital outlays, which includes construction, right of way purchases and planning, design and engineering work.[8]

> With very few exceptions, federal aid highway funds must be used for capital outlays. Over the last 10 years, federal reimbursements to state DOTs have accounted for 52 percent of all state highway and bridge capital outlays. So although federal reimbursements are 25 percent of all state DOT revenues on average, they are extremely important to the construction market. State DOTs invest nearly 49 percent of their program revenues on capital outlays, but also have expenditures related to maintenance (14 percent of total revenues), administration, research and planning (6 percent), law enforcement and safety (6 percent), grants to local governments (11 percent) and bond interest or payments (15 percent).

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[8] *ARTBA analysis of FHWA Highway Statistics.*