

Coalition of New England Companies For Trade

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Crisis in Transportation Funding

The Highway Trust Fund, which is used to finance maintenance of the US Interstate Highway System and certain other roads, as well as mass transit, is facing a crisis of monumental proportions. The Bush Administration and the Congressional Budget Office forecast that revenues for the Highway Account will fall short of meeting SAFETEA-LU commitments by more than \$5.0 billion during FY 2009, the last year of SAFETEA-LU authorizations.

If additional revenues are not found, state highway funds may face as much as a 40% cut in FY 2009. This is a huge problem considering that current spending is already at 40% of the level needed (which is estimated to be at least \$225 billion a year) according to the National Surface Transportation Policy and Revenue Study Commission, which was created by SAFETEA-LU. This problem is not helped by the fact that high gas prices over the summer kept people off the road, or moved them to more fuel-efficient vehicles, further slashing the funds available to rebuild the nation's aging highway system and expand mass-transit options. A report issued by the Transportation Department in July 2008 showed that over the previous seven months, Americans have reduced their driving by more than 40 billion miles.

In response to this crisis, the National Surface Transportation Policy and Revenue Study Commission, in a report it issued to Congress earlier this year, recommended that the federal gas tax should increase 25 to 40 cents per gallon over the next five years and then be indexed for inflation. The gas tax is currently at 18.3 cents per gallon on gasoline and 24.3 cents per gallon of diesel fuel. The Mass Transit Account receives a portion of the motor fuel taxes, usually 2.86 cents per gallon, as does the Leaking Underground Storage Tank Trust Fund, usually 0.1 cent per gallon. The General Fund receives 2.5 cents per gallon of the tax on gasohol and some other alcohol fuels plus an additional 0.6 cent per gallon for fuels that are at least 10 percent ethanol. The Highway Account receives the remaining portion of the fuel tax proceeds.

Any change to the gas tax will most likely be made as part of the next six-year highway authorization bill which is set to be debated starting in 2009.