The Adobe Tower
by Jerry Hall and Loretta Hall

In Highways We Trust (Fund)

The Federal-Aid Highway Act of 1956 established the Highway Trust Fund (HTF) to provide a distinct, reliable funding source for the new Interstate System as well as other federal-aid highway projects. Revenues from motor vehicle fuel taxes and other road-user taxes would be deposited in the Fund rather than the government's general revenue stream.

Originally designed to function until 1972, when Interstate System completion was expected, the Highway Trust Fund has been continued and altered by Congress many times. At first, federal-aid highway program reauthorization bills were passed every two years; more recently they have been on a four- to six-year cycle. Although the HTF was established to be stable and autonomous, the legislative, executive, and judicial branches of the government have shaped its evolution. One clear indicator of that evolution is the length of successive reauthorization acts: 6 pages in 1966, 22 pages in 1968, 32 pages in 1970, 47 pages in 1973, and—most recently—more than 830 pages in 2005.

Motor vehicle fuel taxes have always been the primary revenue source for the HTF, consistently representing about 90 percent of the income. In 1956, the gasoline tax was 2 cents/gallon, half being newly imposed and half diverted from the general fund. Today, the federal tax on gasoline and gasohol is 18.4 cents/gallon; the Highway Trust Fund gets all but 0.1 cent/gallon that is earmarked for the Leaking Underground Storage Tank (LUST) Trust Fund. Together, gas/gasohol taxes account for two-thirds of the HTF's income. Because of the greater road wear imposed by heavy trucks, the main users of diesel fuel, diesel is taxed at a higher rate (currently 24.4 cents/gallon, 0.1 cent of which goes into the LUST fund) and accounts for one-fourth of the HTF income. Taxes on other alternative fuels, such as liquified petroleum gas, liquified natural gas, and compressed natural gas, also contribute to the HTF, as do several road-user taxes, such as those on truck tires and heavy truck usage.

Though supposedly autonomous, the Highway Trust Fund has not been immune to political manipulation. During the early 1970s, President Richard Nixon impounded (i.e., refused to spend) about $8 billion of highway funds authorized by Congress. Irate legislators took the issue to the US Supreme Court, which ruled Nixon's actions unconstitutional. The shoe was on the other foot in 1993, when Congress diverted a fuel tax increase to the general fund; this deviation from the HTF's original intent ended in 1997, when all gas and diesel taxes again funneled into it.

The Highway Trust Fund has, with a brief exception in 1959–1960, been prohibited from having a deficit balance. In fact, the surplus has usually been substantial. During the 1980s and early 1990s, the balance hovered around $10 billion. Increasing revenues expanded the balance to $23 billion by 2000. TEA-21, the 1998 reauthorization bill, took aim at that surplus by stepping up spending, discontinuing interest income to the HTF, and transferring all but $8 billion of the HTF to the general treasury. Since 1998, revenues have grown only 2 percent per year, while HTF expenditures have risen about 4 percent per year. By 2006, the HTF's balance stood at $9 billion.

The viability of the Highway Trust Fund is in doubt. Recent skyrocketing prices have curtailed gasoline and diesel fuel purchases. Nationwide, travel has declined for at least eight consecutive months; miles driven during June 2008 were 4.7 percent less than June 2007, resulting in a $59 million decrease in HTF revenues. While Congress presses for increased motor vehicle fuel economy, every increase in mileage efficiency reduces Trust Fund revenues. The rapid increase in the costs of construction materials (asphalt, cement, and steel) are making highway projects more expensive. Fixed-rate fuel taxes remain static while prices increase, eroding the purchasing power of the HTF. “The Trust Fund’s purchasing power has declined by 30 percent because of inflation and skyrocketing construction costs—so the country is spending less today in constant dollars than when federal fuel taxes were last increased 14 years ago,” said an August 2007 *National Journal* article. “Industry groups say that by 2015 it would take $73 billion—financed by a 10-cent increase in the gas tax—just to restore the Fund’s purchasing power.”

SAFETEA-LU, the current highway authorization bill, expires at the end of September 2009. With input from various industry groups, members of Congress are considering how to craft the next bill in a way that will meet the nation’s highway needs for construction and repair. Raising the fuel tax is a potential component, and the fixed rate may be changed to a percentage of sales or indexed for inflation. Several additional income sources are also under consideration. One would channel the existing “gas-guzzler tax” into the Highway Trust Fund rather than the general fund, where it has been deposited since its creation in 1978. Other taxes that are indirectly related to road use may also be tapped; examples include customs duties and container fees. The imposition of tolls on roads and bridges may expand, and adjustable rates may be applied during peak periods. Another promising strategy, recently tested by Oregon, is to equip vehicles with monitoring devices so that they can be assessed a fee based on mileage driven rather than a tax on fuel purchased.

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This is the tenth in a series of articles tracing the development of the Interstate Highway System.