**The Adobe Tower**
by Jerry Hall and Loretta Hall

***Fiscal Foundations of the Interstate System***

Although the federal government paid for constructing the National Road in the early 1800s, it generally shied away from roadbuilding through most of the 19th Century. By the 1890s, however, Congress recognized two compelling national interests in the evolving road system. First, in 1893, it acknowledged the importance of transporting farm goods to markets by including in the Agricultural Appropriations Act a $10,000 authorization to study existing road conditions, investigate possibilities for improvements, and disseminate the information. As a result, the Office of Road Inquiry was established as the first federal road agency. One of its major activities was to build object-lesson road sections using the best available technology in nearly every state. Many sections were only a few hundred feet long, but they stimulated public demand for better roads.

Second, Congress recognized that the ability to deliver mail depended on adequate roads. In 1896, the U.S. Post Office began rural free delivery (RFD) of mail on roads that met specified standards. During the next decade, local governments invested $70 million to improve roads for RFD service.

States, counties, and cities funded roads primarily through vehicle registration fees and property taxes. Some communities either required or allowed property owners to spend between one and ten days a year working on road maintenance. By the early 1900s, a few states supported county road construction by providing matching funds amounting to one-third the cost of selected routes. Overall, however, state governments contributed only 3 percent of the $80 million spent on roads in 1904.

Federal funding re-emerged in 1912, when Congress authorized money for road construction in National Forests and as 1:2 matching funds for improving postal roads. The Federal Aid Road Act of 1916 authorized $75 million in federal-state matching funds (on a 1:1 ratio) over five years. It also included a politically expedient apportionment formula, allocating funds in equal proportion according to land area, population, and post road mileage.

With the five-year authorization expiring, Congress passed the Federal-Aid Highway Act of 1921, approving expenditures of $75 million a year distributed as reimbursement after federal inspectors approved construction. With the increased funding came a requirement that each state designate 3 percent of their roads as "interstate in character," ensuring that they connected with routes in adjacent states. These "primary" roads would receive at least 60 percent of the authorized federal funds.

Seeing an interstate road system as an important economic stimulus, President Franklin Roosevelt struggled to envision funding. In 1935, he suggested the federal government sell gasoline or concessions along roads it built. In 1938, he proposed a system of six superhighways built as toll facilities. However, a Bureau of Public Roads analysis showed this to be unfeasible, recommending instead that funds be raised by excess taking of land. Roosevelt explained the concept this way: “The Government, which puts up the cost of the highway, buys a wide strip [up to 1 mile wide] on each side of the highway itself, uses it for the rental of concessions and sells it off over a period of years to home builders and others who wish to live near a main artery of travel.”

World War II interrupted plans for an interstate highway system and debates about funding it. The Federal-Aid Highway Act of 1944 did call for the states to designate routes for the National System of Interstate Highways, but it did not include any mechanism for federal funding. In 1952, Congress finally authorized a little financial help for the states to get the system started—$25 million annually for two years in 1:1 matching funds.

When President Eisenhower took office the following year, he resolved to get the interstate highway system under way. Initially, he envisioned a toll road system, but state governors preferred selling bonds that would be repaid with gasoline tax revenues. Congress, reluctant to approve any funding mechanism that would increase the national debt, devised the alternative of financing the system on a pay-as-you-go basis. Highway user products, such as gasoline and tires, would be taxed and the revenues deposited in a new Highway Trust Fund. Money from the Fund would then be dispersed to repay states for building the Interstate System and other federal-aid highway projects. The plan was incorporated in the Federal-Aid Highway Act of 1956 and a companion revenue bill, along with a provision that set at 90 percent the federal share of funding the Interstate System.

In July 1956, the federal gasoline tax increased from 2¢ to 3¢ per gallon, with all of the revenue going into the Highway Trust Fund. With higher than anticipated costs for building the Interstate System and increasing demand for other highway construction, the gasoline tax was raised to 4¢ per gallon in 1959.

The Highway Trust Fund’s concept of user funding for highway construction remained intact for 27 years. In 1983, with the originally designated Interstate System was 95 percent complete, the federal gasoline tax was raised to 9¢ per gallon, with 1¢ of that being directed toward mass transit rather than highways. By 1990, mounting federal budget deficits led Congress to raise the gas tax to 14.1¢ per gallon, diverting 2.5¢ to the general revenue fund while increasing the highway and mass transit apportionments to 10¢ and 1.5¢, respectively. In 1997, Congress restored the transportation focus of the Highway Trust Fund, directing 84 percent of the current 18.4¢ per gallon gasoline tax to the highway account.

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