

THE BOND BUYER

Transportation groups seek short-term funding fix, urge replacement of the gas tax

By

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Transportation groups are advocating for a year-long extension to existing federal highway funding that would give state and local governments more budgetary confidence while lawmakers hopefully create a more sustainable long-term plan.

The American Association of State Highway and Transportation Officials plans to send Congress a letter co-signed by other groups when the Senate returns from its Labor Day recess. Groups including the American Road and Transportation Builders Association are also sending letters asking lawmakers to extend existing funding by a year.



Pat Jones, executive director and CEO of the International Bridge, Tunnel and Turnpike Association, is encouraged by bipartisan support for a vehicle-miles traveled tax.

Both the House and Senate attempted to advance separate surface transportation reauthorization bills to fuel a depleted Highway Trust Fund and

other infrastructure funding. As elections approach in November, it seems less likely for a full reauthorization to come to fruition and therefore an extension will be needed. The HTF runs mostly on gas taxes, but also receives money from Treasury general funds under the existing legislation.

AASHTO is asking for a year-long extension of the current law, which expires on Sept. 30. A longer extension is better for state departments of transportation, said Susan Howard, program director for transportation finance at AASHTO.

“Longer is better in terms of certainty for states DOTs ability to plan,” Howard said. “In the past, it’s been a few weeks or months and it ramps up the uncertainty.”

Passage of another coronavirus relief bill is still a possibility, though talks have stalled between the House and Senate. Dean Franks, senior vice president of congressional relations at ARTBA, believes extending existing funding and possible additional measures could be included into a future relief bill.

“It appears to us that all of this might be wrapped into one, if the relief package even happens,” Franks said, noting that the existing funding legislation expires at the same time that lawmakers will need to pass legislation to keep the federal government funded. “You can see a scenario where this is all coming together as one,” he said.

The federal government’s fiscal year ends Sept. 30.

Transportation advocates warn that the next Congress will need to look at alternatives to supplement the Highway Trust Fund in the long term. This comes as presidential hopeful and former Vice President Joe Biden is pushing for more electric vehicles.

The HTF was established in 1956 as a reliable source of funding to build highways. It gets about 82% of its revenue as of 2019 from gas taxes, according to the [Congressional Budget Office](#). Additionally, the gas tax has not been raised since 1993 and has stayed at 18.4 cents per gallon.

Higher fuel efficiency and more electric cars on the road mean less money coming in per mile driven. CBO predicted in May that the HTF’s shortfall will increase rapidly over the next 10 years. That May report did not include pandemic estimates.

Those shortfalls have generally been filled by transfers from the Treasury’s general fund totaling \$144 billion to HTF since 2008, including \$70 billion

authorized from the FAST Act in 2015, according to the Peter G. Peterson Foundation, a non-partisan research organization.

Increasing the gas tax won't help fund the HTF, said Pat Jones, executive director and CEO of the International Bridge, Tunnel and Turnpike Association.

"To make up for the over \$140 billion that's been transferred and future general fund transfers to make the trust fund solvent, you will need something like 50 cents to a dollar to get there," Jones said. "They haven't been able to raise the gas tax a nickel a gallon since 1993. It's politically impossible to do it."

For about a decade, the federal government has been trying to find new ways to fund the HTF. In 2009, the National Surface Transportation Infrastructure Financing Commission, established by Congress to provide recommendations, released a [report](#) detailing possible solutions such as a vehicle miles traveled tax or a vehicle registration fee among others.

A VMT would be a fee based on how far drivers go and would be tracked by self-reporting or other devices.

Conversations are beginning to change on the Hill compared to a decade ago and bipartisan leadership from both the Senate Environment and Public Works Committee and the House Transportation and Infrastructure Committee have advocated for a VMT, Jones said.

The Moving Forward Act passed by the House in July included funding for a national VMT pilot program.

"Long term there is an interest in shifting away from the per-gallon base fee that we have into something that is more mileage-based like a VMT," Howard said.

There is also a possibility of shifting away from the trust fund model entirely, Howard said, and instead relying on annual appropriations.

Biden released an infrastructure plan in November 2019 and said if elected, he would ensure new revenue is secured to stabilize the HTF.

Biden also called for speeding up the transition to electric vehicles, encouraging people to buy them and incentivizing businesses to shift their existing fleets to electric vehicles. Biden said he plans to work with Congress, the private sector, labor unions, mayors and governors to build a national electric charging system of 500,000 public charging outlets.

Biden's plan to get more electric vehicles on the road doesn't radically change the conversation over the last decade on how to fund the HTF, Howard said.

Adding more electric vehicles is part of the appeal to move to a mileage based system, but the industry is not at a point to quickly flip the switch to a VMT, Howard added.

“Other than that, I don’t think there is anything too radically different than where we’ve been over the last decade,” Howard said.

Biden did not have specifics on how to fund the HTF and shifting possibly to a VMT during his term if elected isn’t plausible since it could take a decade to implement, said Marc Scribner, senior transportation policy analyst at the right-leaning Reason Foundation. .

“I don’t think it’s important for Biden to come out and say we need to switch to a VMT because we can’t do that right now,” Scribner said. “But what we should be doing is preparing for this transition which depending on how fast the vehicle fleet moves away from gas and diesel — that’s how much time we have.”

Some states have VMT pilot programs in place, such as the Washington Road Usage Charge Pilot Project. The test-driving phase of the project ended in January 2019 and about 2,000 drivers participated. Early this year, the Washington State Transportation Commission recommended to its legislature to enact a per-mile road usage charge to a small number of vehicles as a first step in a 10-to-25-year transition.

There is a bit more urgency compared to 2009 to get more reliable funding for the HTF, Scribner said, but there has not been enough support from Congress to get a transition to VMT going.

“There’s a lot of legwork that still has to be done and it’s going to take years, but we should really get going if we want to avoid some unpleasant scenarios if we do see this huge increase in electrification that the Biden campaign seems to want to promote,” Scribner said. “We could be looking at a serious fiscal cliff if we don’t figure out an alternative to fuel taxes.”

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