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You aren't even paying enough
Frozen federal gas tax leaves government trust fund in a bind
Jim Abrams - Associated Press Writer

WASHINGTON - A cash crunch is fast approaching for the government trust fund that pays to build and repair highways and bridges.

The federal tax on a gallon of gas has not risen in 14 years and Congress is reluctant to increase it. People are demanding more fuel-efficient vehicles - less gasoline used, fewer dollars for the fund.

States already are looking for other places for road-building money - toll road and consumption-based sales taxes, for example. They worry that the fund's looming shortage could hurt their efforts to address traffic congestion as well as environmental and safety problems caused by inadequate roads.

The situation can only get worse in 2009, when revenues for the Federal Highway Trust Fund begin falling short of planned federal spending.

The fund provides the overwhelming bulk of federal dollars spent on highways. It gets its money mainly from the 18.4 cents-a-gallon excise tax that drivers pay at the pump.

Self-service regular now tops \$3 a gallon. There is concern the price will reach a point at which people will get serious about cutting back on driving - sending less money into the fund. Fuel tax receipts did dip last summer when there was a spike in pump prices.

About 45 percent of all highway spending comes from the trust fund. With less money available from the fund, states must turn elsewhere for money to expand their highways and fill their potholes. That prospect is making lots of people unhappy.

- Indiana, facing a \$1.8 billion gap in money needed for road improvements, negotiated a \$3.85 billion deal with an Australian-Spanish consortium to lease and operate the Indiana Turnpike for 75 years. Voters expressed their displeasure, electing Democrats to replace a Republican-run House that signed off on the deal.
- In Florida, with federal aid declining, more than 90 percent of new roads since the early 1990s have been toll roads, state Transportation Department spokesman Dick Kane said.
- Voters in Washington state approved a 14.5-cent increase in state gasoline taxes over a five-year period.
- In California, voters decided to borrow the money, approving bond issues totaling

\$19.9 billion to be used for highway and transit projects over the next 10 years.

- Georgia increased its construction program from \$911 million to \$2 billion, largely through a sales tax on gasoline that rises with fuel prices, unlike the frozen federal levy.

The American Association of State Highway and Transportation Officials says at least six states have adopted variable fuel taxes that are pegged to inflation.

- Oregon is experimenting with a voluntary system where drivers pay a user fee based on miles driven rather than gas consumed. Some environmentalists say this approach negates the benefits of buying fuel-efficient cars.
- Texas, Virginia and Minnesota are among states that have built or are building high-occupancy toll lanes where drivers can pay to have a congestion-free path before them.

With the population of Texas increasing by 1,000 people a day, "we as a state don't really feel like we have an option to shelve projects or sit on our hands as the problems with the highway trust fund loom larger and come closer on the horizon," said Christopher Lippincott, a Texas Transportation Department spokesman.

Revenues from tolls, bonds, federal loans and local contributions allowed most of a new turnpike around Austin to be completed more than 20 years sooner than if the state had relied solely on state and federal taxes.

The Texas Legislature is trying to satisfy concerns of Gov. Rick Perry over a bill that includes a two-year freeze on most new privately financed toll roads. The freeze reflects opposition to the Trans Texas Corridor, a combined toll road and rail system from Mexico to the Oklahoma line.

Of the 18.4 cents a gallon in federal excise taxes, about 15.44 cents goes to the highway trust fund, 2.86 cents to mass transit programs and one-tenth of a cent to a leaking underground storage tank fund. The tax on diesel fuel is slightly higher.

Close to two-thirds of the trust fund's \$40 billion in receipts last year came from the gasoline tax.

Gasoline was only 30 cents a gallon and the excise tax on it was just 3 cents in 1956 when Congress created the highway trust fund. As gasoline prices rose, so did the tax. But a tax-adverse Congress has kept it at 18.4 cents a gallon since 1993, when gasoline prices were about \$1.10 a gallon.

Two years ago, lawmakers proposed a 4-cent-per gallon boost in the fuel tax to finance a \$375 billion highway bill. They backed off when President Bush pledged to veto any road legislation with a tax increase. In the end, the spending plan came to \$286 billion.

At the end of 2000, the highway trust fund had a balance of almost \$23 billion. By the end of 2006, that balance had fallen to \$9 billion.

The Congressional Budget Office predicts the fund will run a deficit of \$1.7 billion at the end of 2009 and \$8.1 billion by the end of 2010, when the current highway program expires and Congress will write a new one.

"This crisis will be thrown in their lap right as they are rewriting the program," said Jeff Shoaf, senior executive director of Associated General Contractors of America. Because investment in new projects is spread over a number of years, every dollar of shortfall translates into a \$4 drop in highway spending, he said.

Thus in 2010, the government will have only \$20 billion to invest on highways, half the current spending level and less than one-third of the \$70 billion that Shoaf said is needed for real road improvements.

"A drastic cut in federal highway and transit funding will result unless Congress steps in," John Horsley, executive director of the American Association of State Highway and Transportation Officials, said in a report.

Horsley's group said the fuel tax would have to be increased by 10 cents per gallon through 2015 to restore the purchasing power of the program.

The Senate Finance Committee is looking into temporary ways to refinance the trust fund, including redirecting some transportation-related taxes that now go into the government's general account and clamping down on gas tax fraud. A Transportation Department commission also plans to issue recommendations by the end of this year. By the middle of the next decade, the highway trust fund will be providing \$100 billion to \$150 billion below real needs for building highways and bridges, predicted Rep. Peter DeFazio, chairman of the House Transportation and Infrastructure subcommittee on highways and transit.

"In the long run we've either got to admit we are going to underinvest and accept more gridlock and congestion" or find new revenue sources, said DeFazio, D-Ore. What is clear to him is that raising taxes of any kind for the highway trust fund is possible only if people are convinced that more spending will mean less congestion, safer roads and a cleaner environment.

The public will not support new taxes "just to throw money in the maw of the federal government," DeFazio said.

On the Net:

Federal Highway Administration: <http://www.fhwa.dot.gov/>

American Association of State Highway and Transportation Officials:
<http://www.transportation.org/>

American Road and Transportation Builders Association: <http://www.artba.org/>

Associated General Contractors of America: <http://www.agc.org/>