

Highway Trust Fund Primer

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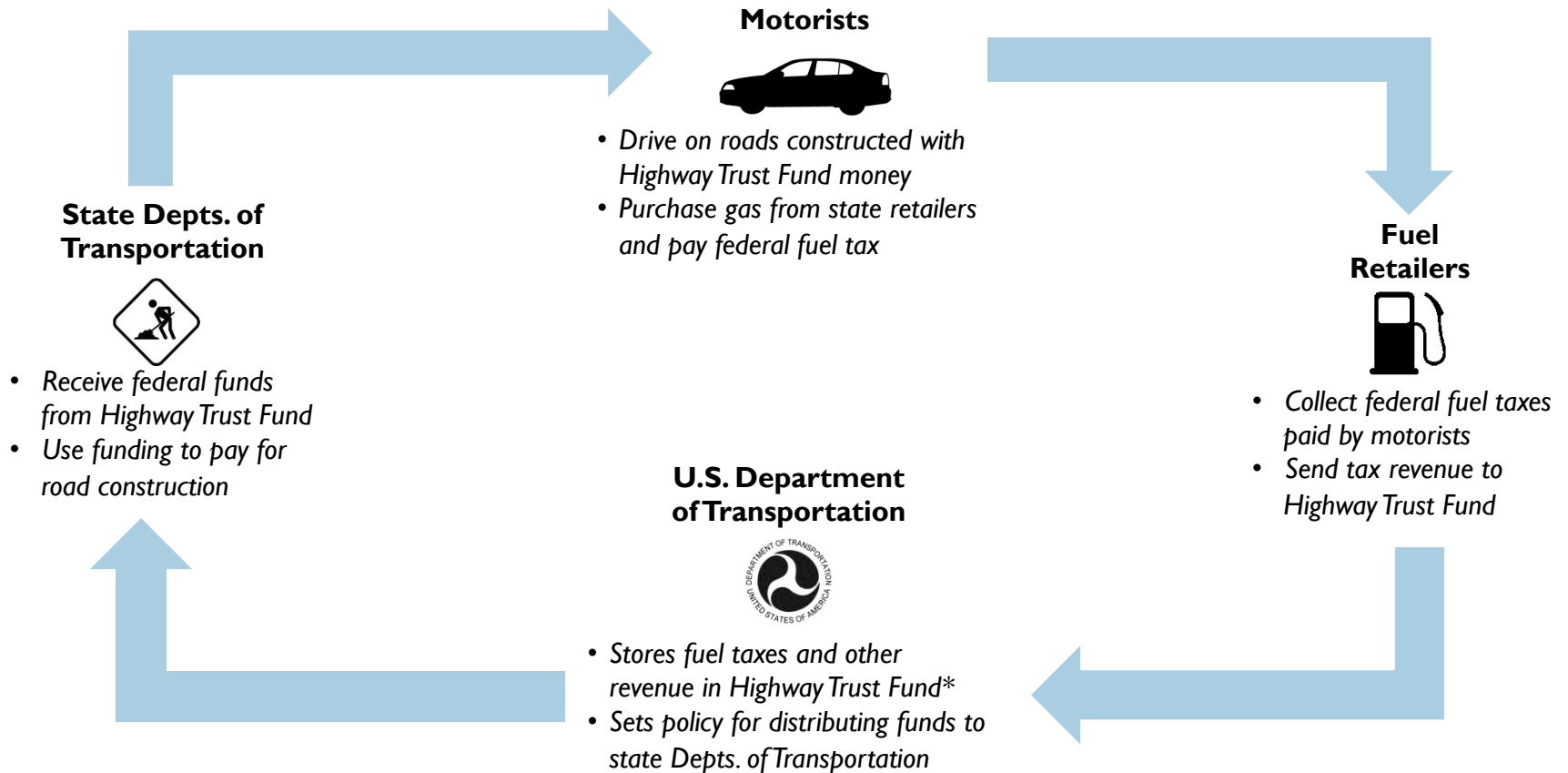
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States Contribute To, Benefit From Highway Trust Fund

Collection and Distribution of Highway Trust Funds



*Approximately 15% of Highway Trust Fund revenue goes into a separate account funding mass transit

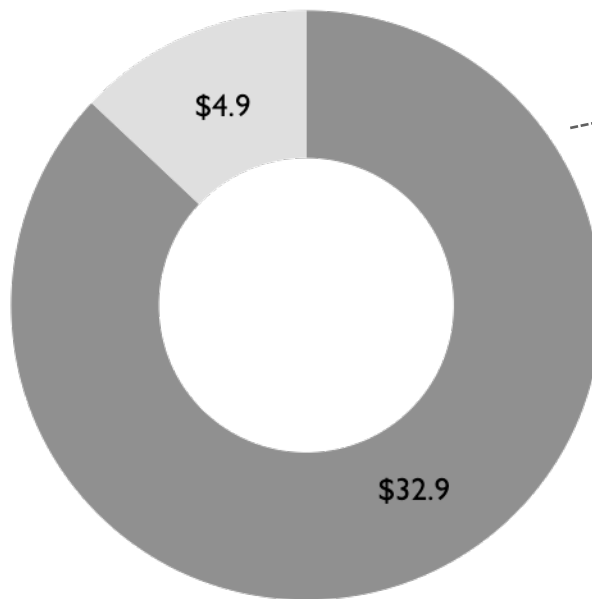
Summary

The Highway Trust Fund helps states pay for road construction and improvements with gas tax revenue collected by state retailers

Fuel Taxes Power Fund

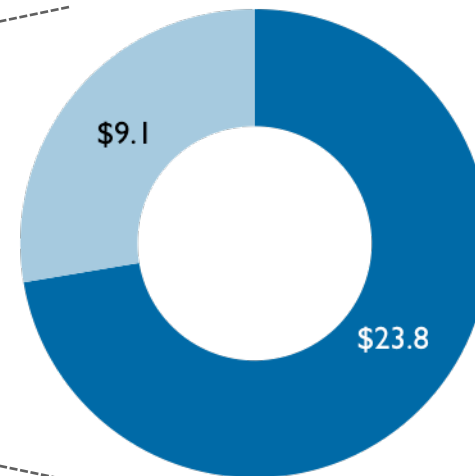
**Sources of Highway Trust Fund Revenue
(Billions)**

■ Fuel Taxes ■ Non-Fuel Taxes



**Breakdown of Fuel Tax Revenue
(Billions)**

■ Gasoline Tax ■ Diesel Tax



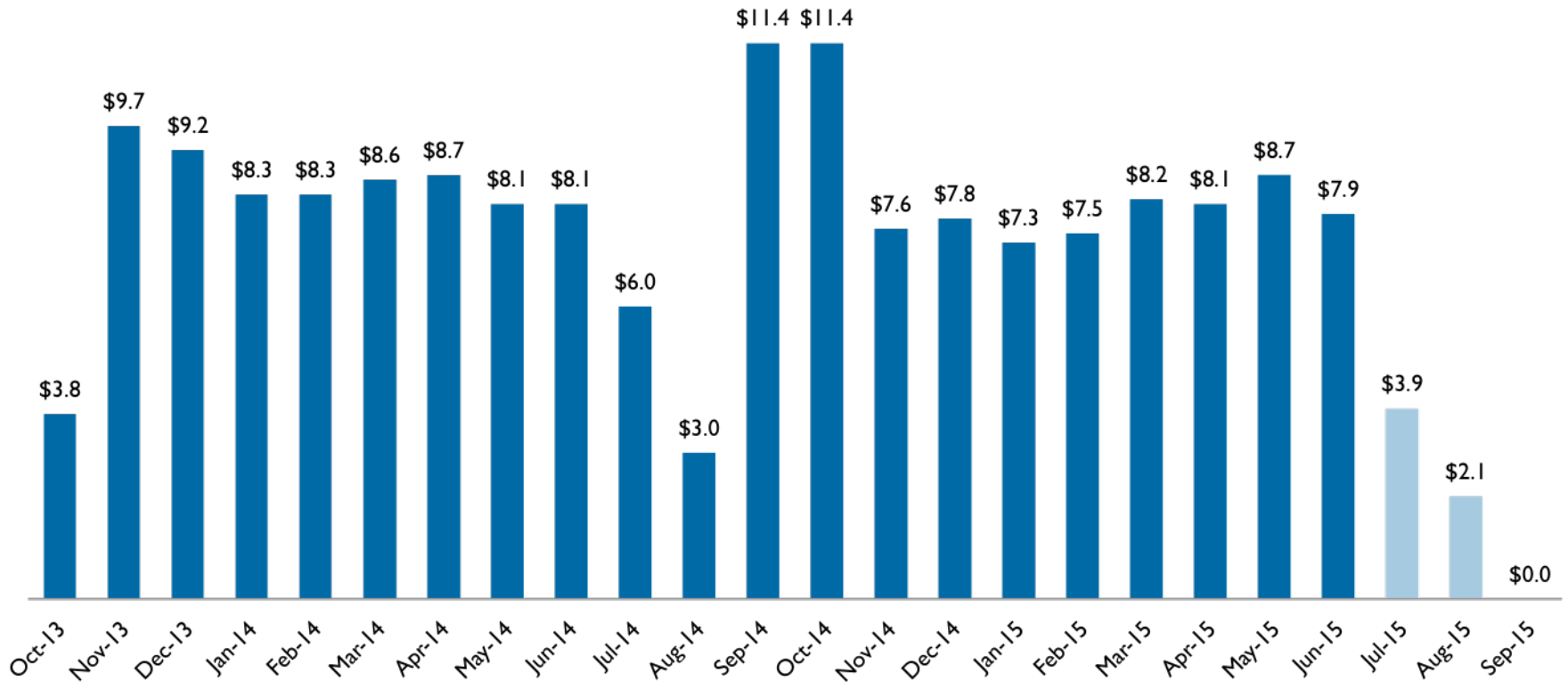
Analysis

- 87% of the Highway Trust Fund's revenue comes from fuel taxes (imposed at the federal level but collected by state retailers), and gas taxes comprise 72% of fuel tax income
- The fund's relative dependence on a small number of sources makes it vulnerable to revenue and consumption fluctuations

Fund is On the Brink of Insolvency

Highway Trust Fund Highway Account Balance by Month (Billions)

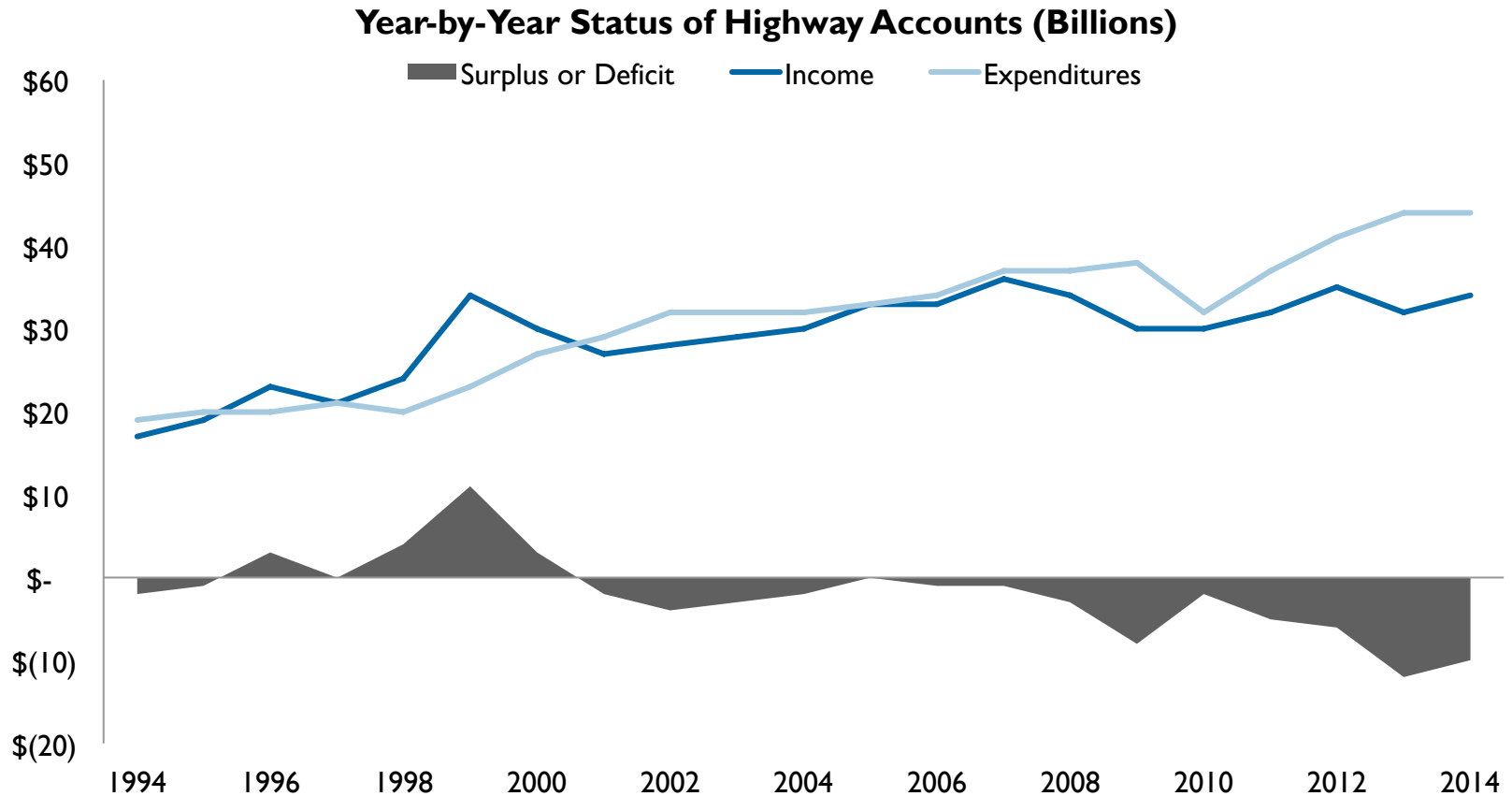
■ Recorded Balance ■ Projected Balance



Analysis

- The Highway Trust Fund is projected to be insolvent by September 2015
- Because the fund lacks the authority to run at a negative balance, and the fund cannot raise revenue on its own, consequences of a deficit could include project slowdowns or federal defunding of state projects

Increased Outlays and Lagging Revenues Drive Shortfall

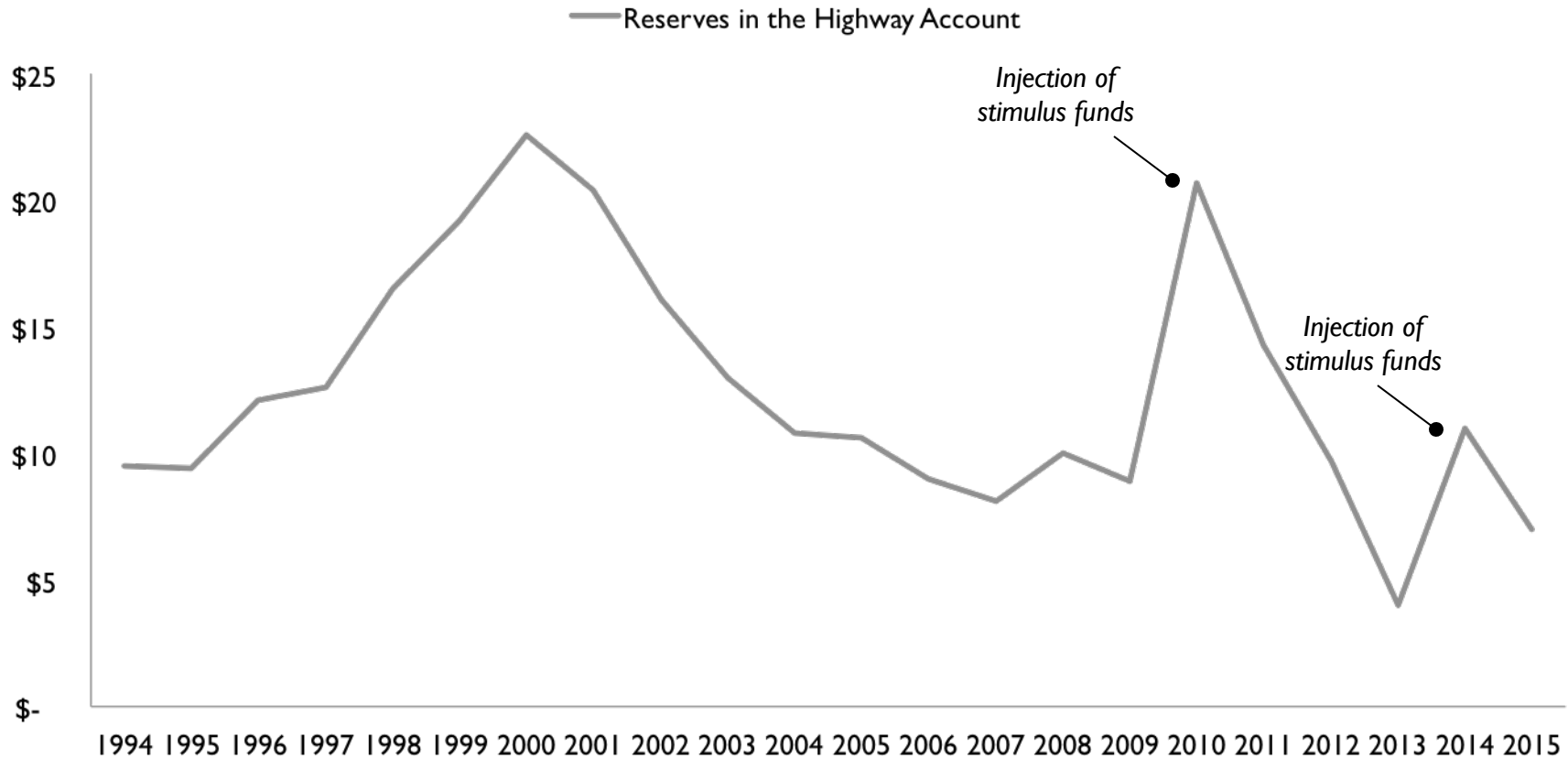


Analysis

- Since 2000, the highway account of the Highway Trust Fund has regularly spent more than it has received in income
- In 2014, the fund's income is fell to 77% of yearly expenditures

Deficit Means That Fund's Reserves Are Close To Exhaustion

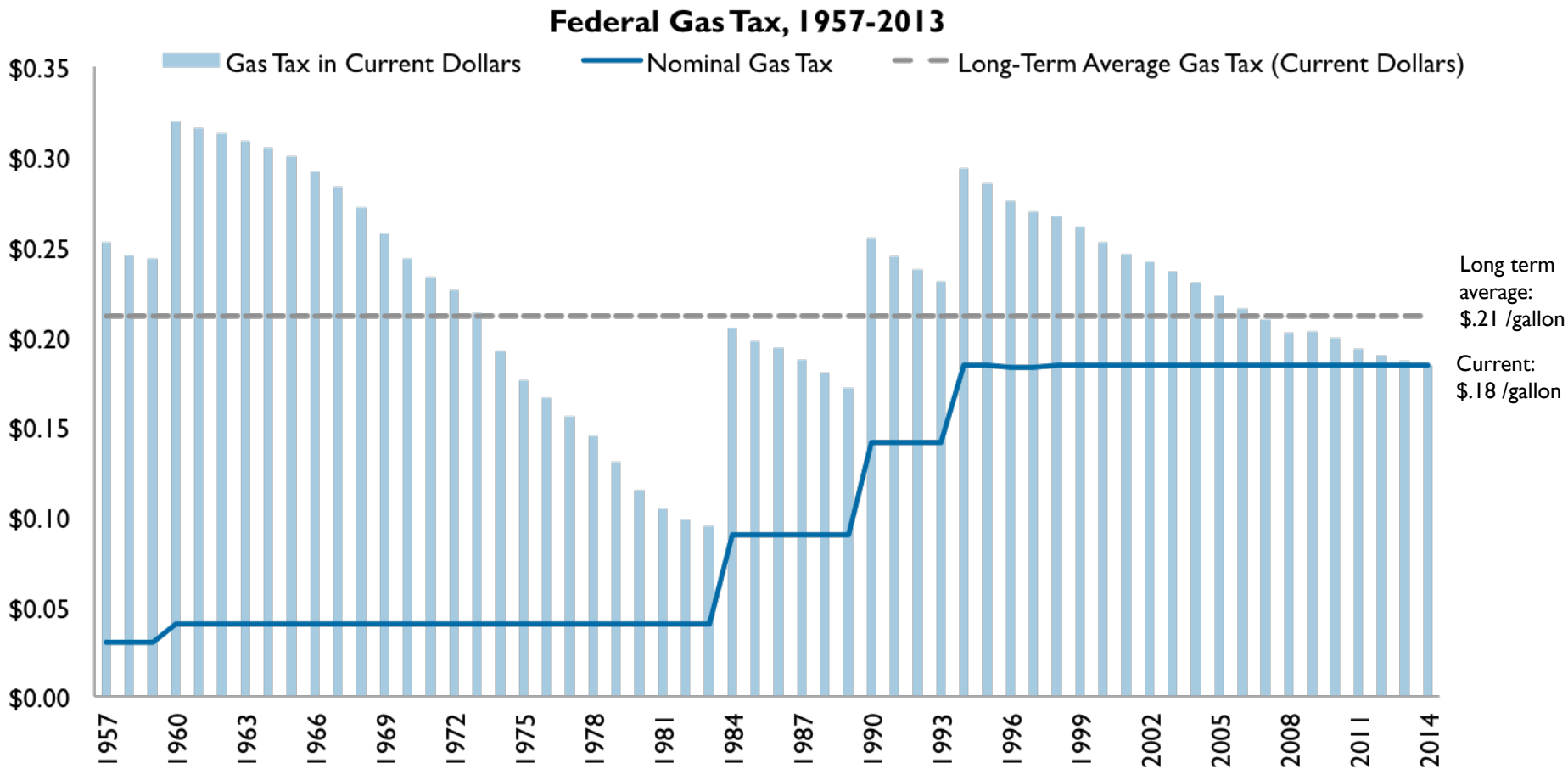
Year-by-Year Status of the Highway Account Fund (Billions)



Analysis

While the fund's balance sheet was boosted by a 2009 and 2013 injection of funds from the stimulus program, the fund's combination of lagging revenue and increasing costs have brought reserves down to near zero-level today

Below-Average Gas Tax May Decrease Revenue

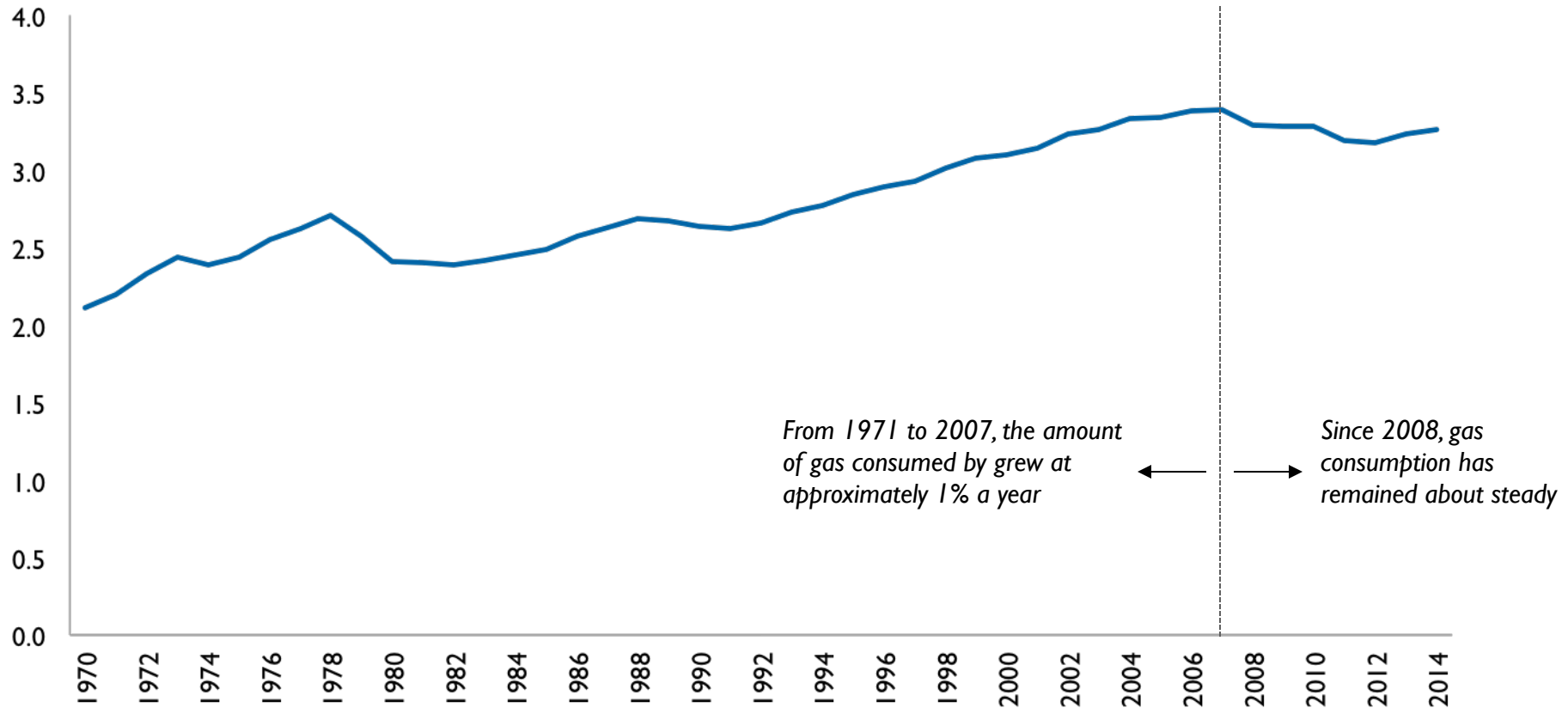


Analysis

- Some cite changes in the gas tax as the cause of the apparent stagnation in the Fund's revenue
- Advocates for increasing the federal gas tax from its current level of \$.18 cents/gallon reason that the nominal gas tax has not been increased since 1993; however, the inflation-adjusted value of the gas tax has only been below the historical average since 2005
- These results suggest that lower amounts of gasoline purchased may be the primary cause of the Fund's revenue slowdown

But Slowdown in Consumption May Matter More

American Gas Consumption (Billion of Barrels)



Analysis

Because the Highway Trust Fund is largely funded by gas sales, the slowdown in gas consumption is the major cause of the Fund's crisis

Congress Faces Tough Choices

Possibilities for Handling Highway Trust Fund “Cliff”



	Transfer Funds From Treasury	Slow Down Project Spending	Raise the Gas Tax	Find Alternate Funding Source
Description	Top up the Highway Trust Fund, allowing it to operate at a loss for a continuing period	Reduce reimbursements to states for highway construction, either temporarily or permanently	Increase the federal tax on gasoline	E.g., apply new tariffs on vehicle-miles driven, implement congestion charges or other taxes
Why Congress Could Do This	Would allow time to find a more permanent solution	Would decrease trust fund spending, adjusting for revenue drop	Would bring in greater revenue	Would allow trust fund to diversify revenue base
Why Congress May Not Do This	The idea of bailing out a federal fund remains controversial among conservatives; fails to solve underlying problem	State Departments of Transportation would be irate; Members of Congress would see their districts directly impacted	Gas tax increases hit every driver in the pocketbook; would be politically radioactive	The House opposes tax increases; levies on vehicle-miles could raise privacy concerns

Analysis

Although Congress recognizes that the Highway Trust fund is in trouble, finding a solution may be difficult, as Members of Congress will have to choose which form of pain their voters dislike the least