

## A Clear Case for Continuing the Federal Gas Tax

August 22, 2011 By [Larry Ehl](#) [Leave a Comment](#)

The federal government's authority to levy and collect the federal gas tax expires on October 1. Earlier this month, when it appeared that anti-tax activists would lobby Congress against renewing that authority (they've since decided not) the New York Times editorialized that allowing the federal gas tax expire as scheduled on October 1st

“would be tremendously destructive. It would bankrupt the already stressed Highway Trust Fund, with devastating effects on the country's highways, bridges, mass transit systems and the economy as a whole,” ([The Clear Case for the Gas Tax](#)).

The editorial generated 330 response in the week since the editorial appeared. The Times choose one response, and asked readers to respond to it as well as the editorial. Here are some key quotes from [that response](#):

“Gasoline is grossly underpriced; the federal tax has not been raised in 18 years and is now a much smaller percentage of the total price. The current tax does not reflect the military spending incurred to protect our access to cheap energy, the damage to the environment or the long-term implications of future supply disruptions.

The federal gasoline tax should be increased from the current 18.4 cents a gallon to \$1 or more a gallon, but the increase should be phased in over several years. A transition period will allow consumers to plan for higher fuel prices by purchasing more efficient vehicles and by choosing homes near public transportation.

The tax revenues should be used not only for highways and bridges but also for better public transportation (only a small percentage now goes to mass transit) and for research into fossil fuel alternatives.

Oil is not an unlimited resource. We need a higher tax to motivate us to reduce our dependence on oil and to finance alternatives.”

As you might expect, that generated many responses, from different perspectives. Most of them are very thoughtful. Transportation stakeholders with an interest in funding some aspect of the transportation network could read this suite of stories and become better acquainted with public opinion on the topic.

## Norquist Won't Oppose Extension of Gas Tax

Anti-tax crusader Grover Norquist said he won't oppose an extension of U.S. gasoline and diesel- fuel taxes set to expire Sept. 30, as he pushes for broader transportation-funding overhaul.

Norquist, president of Americans for Tax Reform, said today that an extension with no changes wouldn't violate a pledge signed by many congressional lawmakers not to raise taxes.

That may allow Republicans to agree to extend surface transportation funding and authority to collect the gasoline tax. The Federal Aviation Administration last month temporarily lost its authority to collect airline ticket taxes when Congress couldn't agree on an extension bill for that agency, and about 4,000 FAA workers were furloughed for two weeks.

"We're interested in the broader issue that states should keep their own fuel taxes. We don't want it run through Washington," Norquist said in a telephone interview. "Why should Connecticut pay for what's going on in Wyoming and Wyoming pay for the New York City subway system?"

The federal government receives 18.4 cents from the sale of every gallon of gas for the Highway Trust Fund, which pays for road and bridge construction projects, and uses a formula to determine how much money each state gets in return. Under the current plan, some states receive less money than they send to the federal government while others get more.

### 'Their Own Taxes'

"We want to show governors how much they can keep of their own taxes," he said. "We want them to understand that this reform can happen in their term."

Eliminating the federal gas tax will take between two to five years, he said. Norquist hopes to drum up support for two bills that allow states to opt out of the Highway Trust Fund.

"Prying Washington's hands off the money will take some time," he said.

## The gas tax is likely safe for now. And that's the problem.

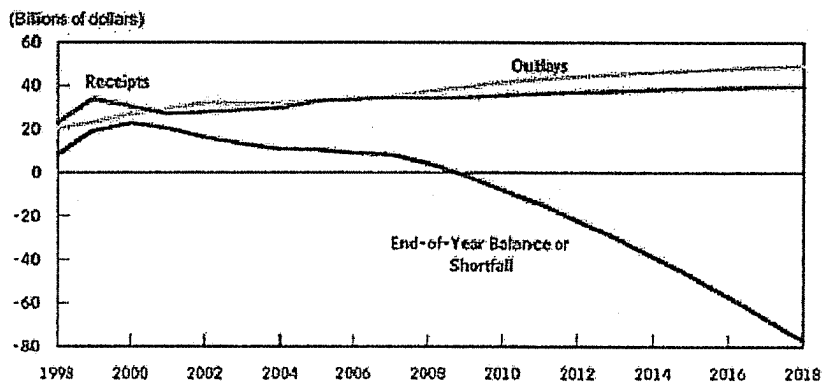
By Brad Plumer

Despite recent rumors to the contrary, Congress is likely to extend the gas tax this fall. And that could end up being precisely the problem.

This week, Politico's Ben Smith and Byron Tau raised the possibility that Republicans could try to thwart an extension of the federal gas tax when it (largely) expires Sept. 30. "The White House is going to make a move to renew it," former RNC spokesman Doug Heye told Politico. "We'll see — but there will be Republicans who will be resistant to that." Grover Norquist even made some grumbling noises.

At least for now, however, most transportation-funding advocates are sanguine that Congress will renew it. "Anything's possible, but even as crazy as things have gotten, I have a hard time seeing them let the gas tax lapse," says David Goldberg of Transportation for America. After all, the tax, currently 18.4 cents per gallon, provides an enormous pot of money for transit and highways. And highways are popular — the 2005 transportation bill passed with overwhelming bipartisan support. (On the other hand, that bill *was* heavily greased with pork — remember the Bridge to Nowhere? — and Congress's new earmark ban could make it tougher for appropriators to buy off support for a highway bill.)

The more pressing worry, transportation wonks say, is what happens if the gas tax *does* get renewed. The 18.4-cents-per-gallon tax is already inadequate to fund current infrastructure obligations, not least because, in recent years, Americans have been driving less and buying more fuel-efficient cars. The good news is that we're using less gasoline. The bad news is what that does to highway funding. In 2008, Congress had to kick in \$8 billion to keep the Highway Trust Fund solvent. And the trust fund's finances will continue to deteriorate in the years to come, according to the CBO:



By 2018, the trust fund is projected to be short \$80 billion. That's the context for the coming showdown on transportation funding this fall. In the House, Rep. John Mica has put forward a transportation reauthorization bill costing \$230 billion over six years — essentially a 33 percent cut from current levels. State officials are already complaining that that won't even come close to meeting America's infrastructure needs. (One example of our crumbling roads, courtesy of Transportation for America: The average bridge in America is about 42 years old. The average bridge's lifetime? 50 years.) That's because House Republicans want transportation funded solely from the ever-dwindling gas tax.

In the Senate, meanwhile, Barbara Boxer has proposed keeping funding at current levels for two years, until the recession subsides and Congress can get a clearer picture of its finances. But that sets the stage for a showdown with the House, and it's still unclear how the two chambers can possibly reconcile.

Even some Republicans — Mica, in particular — admit that the funding situation has become untenable. But no one seems to know what to do about it. One obvious possibility would simply be to raise the gas tax. Ronald Reagan did that in 1982. George H. W. Bush did it in 1990. Bill Clinton did it in 1993. But then Congress balked at raising the tax during the George W. Bush years and it's been stuck at 1993 levels ever since. Right now, fees on drivers and transit users cover just 66 percent of all transportation expenses.

Alternatively, Congress could find a different funding stream for transportation. One idea is a vehicle-miles traveled tax, which would track driver habits via GPS and charge per mile driven. (The White House floated this notion earlier this year and then retracted almost immediately.) Another is to charge some sort of congestion fee on overclogged highways — an idea that Tyler Duvall, a former Bush administration official, endorsed in National Affairs. Mica, for his part, has suggested extending the Build America Bonds program that was part of the stimulus. A bipartisan team affiliated with the Carnegie Endowment has proposed an upstream tax on oil combined with a variable gas tax that shrinks when oil prices rise and expands when oil prices plummet. But few of these ideas have gained traction in Congress. Which means fights over transportation are only going to intensify.

## CONGRESS HEADS FOR ANOTHER SHOWDOWN OVER TRANSPORTATION FUNDING

By Ashley Halsey III, Published: August 23

State transportation officials are fearful that another congressional stalemate next month could shut down highway and transit construction projects nationwide and put thousands of people out of work.

Facing a Sept. 30 deadline, officials are mindful of the deadlock that occurred this month over extension of funding for the Federal Aviation Administration. That cost an estimated \$350 million in tax revenue and led to a partial agency shutdown that put 4,000 FAA employees and tens of thousands of construction workers out of work for two weeks.

Both the federal authority to collect the 18.4 cents a gallon in federal gas tax and authorization to spend the revenue on transit and highway projects are due to expire.

"When Congress comes back, they're only going to have 11 days to take action," said Susan Martinovich, president of the American Association of State Highway and Transportation Officials. "There is a crisis brewing."

Until the FAA extension turned into a major test of wills between House Republicans and Senate Democrats, it was considered relatively routine for Congress to extend current funding while working on big spending packages.

The Senate balked when the House sent over an FAA extension with other provisions attached. The Senate finally buckled and approved the extension, raising the fear that House Republicans might repeat the move when that extension expires Sept. 16 and when the two surface transportation measures come due two weeks later.

The state administrators said that the Senate had committed to passing a six-month surface transportation extension but that House Transportation Committee Chairman John L. Mica (R-Fla.) had not responded to their inquiries.

Although the two houses are in final negotiations over a long-term FAA reauthorization, neither the House nor Senate has approved a long-term surface transportation bill. State officials consider long-term funding plans essential because they need to be confident that funds will be forthcoming when they launch highway and transit projects.

"We need to have a long-term reauthorization of the transit and highway programs, and they need to be funded at the same level, at least in the near future, at what they're funded today, which is about \$42 billion for highways and \$11 billion for transit," Martinovich said in Louisville on Tuesday after meeting with Southern state highway administrators.

Congressional efforts to pass a major surface transportation funding bill have been hamstrung because the primary source of federal transportation funding, the gas tax, has not kept pace with the nation's needs.

The two houses have come up with strikingly different proposals, though neither has formally introduced a bill.

The House has talked of a six-year plan to provide about \$35 billion a year, a sum that Mica says can be used to leverage double that amount through public-private partnerships. The Senate proposal would provide about \$109 billion spread over two years.

If the cuts proposed by the House become law, 500,000 jobs would be lost, Martinovich said. "States may need to stop or decrease maintaining a third of their highways," she said.

But with neither bill even in written form, the immediate prospect is for twin extensions — one allowing for collection of the gas tax and the other to permit spending — when the current authorizations expire next month.

"We're facing a far more dire circumstance [than the FAA shutdown], where the entire federal aid program for highways and transit would shut down Oct. 1 unless Congress extends the revenue title," said John Horsley, executive director of the association of state transportation officials.

Mike Hancock, Kentucky's transportation secretary, said state officials are watching Congress "very, very carefully."

"Do we have confidence that Congress will take care of everything they need to take care of in the 11 days? I look back a couple of weeks, and my confidence is shaken," Hancock said. "It's all in the hands of our members of Congress."

If the authorizations are allowed to expire, state officials said, they would not be able to put projects out for bid and would have to begin shutting down projects underway. Since states spend money from their own coffers and then file for federal reimbursement, they would be out on a limb if they let work continue when federal funds were no longer guaranteed.

## SHUTDOWN OF TRANSPORTATION PROGRAMS POSSIBLE

By JOAN LOWY, Associated Press – 4 days ago

WASHINGTON (AP) — Bills necessary to avoid shutdowns of federal transportation and aviation programs are high on Congress' to-do list when it returns to work next week.

President Barack Obama says as many as 1 million jobs are at risk without action.

Both the White House and House Republicans signaled Wednesday that they want to avoid such a scenario, but that doesn't mean it will be easy.

Federal highway programs, and the fuel taxes that pay for them, will expire Sept. 30 unless Congress passes short-term extension legislation. It would be the eighth such stopgap effort in the past two years. Funds for hundreds of construction projects across the country would be held up without passage.

Similarly, authority for the Federal Aviation Administration expires Sept. 16. The agency has been operating under a series of 21 short-term extensions since 2007. A standoff between the House and Senate partially shut down the FAA for two weeks this summer. Nearly 4,000 employees were furloughed, more than 200 stop-work orders were issued for airport construction and other projects, and tens of thousands of workers in construction-related industries were laid off.

Layoffs in the ailing construction industry would be many times greater than that if highway programs expire, transportation experts said.

"It's inexcusable to put more jobs at risk in an industry that's already been one of the hardest hit over the last decade," Obama said during a speech in the Rose Garden. He called on Congress to pass both the highway and FAA bills.

The president said 4,000 workers would be immediately furloughed without pay if the highway program isn't extended, and a significant delay could lead to 1 million workers losing their jobs over the next year.

Republicans were swift to respond that they want to pass both bills as well, even while accusing Obama of scare tactics and blaming Democrats for creating the legislative mess.

"During their control, they neglected aviation legislation for more than four years and left major transportation legislation in the ditch for more than a year," Rep. John Mica, R-Fla., chairman of the House Transportation and Infrastructure Committee, said in a statement.

Mica said he's willing to support a short-term extension of transportation programs, but just this once. He also left the door to a short-term FAA extension, but said he wanted to consult with House GOP leaders first.

Transportation programs — road and bridge repairs and transit subsidies — have wide, bipartisan support in Congress. The problem is money. Revenue from the 18.4 cents a gallon federal gas tax and 24.4 cents a gallon diesel tax that pay for programs is declining.

With House Republicans determined to force the government to live within its means, and Senate Democrats reluctant to cut core programs, almost any bill with a price tag requires a struggle for passage — even disaster relief for hurricane victims.

"Everything is in gridlock, and transportation happens to be visible and suffering largely because of an accident of timing," said transportation consultant Mort Downey, a former Obama adviser. "The same problem would be occurring with other programs if they were up for extension."

Mica is pushing for a six-year extension that would cut spending by 30 percent in order to live within expected revenues. A Senate proposal would extend the program only two years, maintaining current spending, and cost \$109 billion.

Since passage of either bill by the Sept. 30 deadline isn't realistic — the bills haven't been formally introduced yet, only outlined by their sponsors — a short-term extension is necessary. But it's possible the House and Senate will clash over whether to keep spending at current levels in a short-term bill, which would mean dipping into the general treasury, or to reduce spending.

"We're still running all of our numbers with respect to short-term and long-term, and ultimately our goal is to ensure that the trust fund remains solvent ... that we don't continue to rely on general fund bailouts," Caroline Califf, a spokeswoman for Mica, said in an email.

Also unclear is whether Mica will try to attach extraneous provisions to either must-pass bill in an effort to push through policies not already agreed to by the Senate. That's what happened on the FAA bill this summer, precipitating the shutdown.

It's unlikely Republicans will try a similar gambit on the transportation bill, Downey said in an interview.

"I think this is too big, too widespread, has too many consequences, too much of a real opportunity for the president to bash them," he said.

Labor issues have been the key holdup for a long-term FAA bill. Three years ago it was a contract dispute involving air traffic controllers. That issue was resolved, but then a fight between FedEx and United Parcel Service over whether FedEx workers should have to operate under the same restrictive labor rules as UPS held up passage in the last Congress. This time, the issue is a provision in the House FAA bill that would reverse a National Mediation Board ruling last year, making it more difficult for airline workers to unionize.

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## Tea Party Gas-Tax Fix Is Bad Economics, Worse History: Ron Klain

By Ron Klain - Aug 22, 2011

If the debt-ceiling showdown made your blood boil, if the shutdown of air-traffic-control work related to the airline-ticket tax drove you crazy, then you should unplug your TV and power down your computer in late September, as the deadline for extension of the federal gasoline tax draws near.

Because while President Barack Obama and most experts are pushing for a greater federal investment in roads and infrastructure to create jobs and strengthen our economy, a growing minority in Washington wants to end the federal gas tax and phase out funding for new construction under the federal roads program. That's right: A sizable chunk of Republicans, led by Senator Tom Coburn of Oklahoma and Representative Jeff Flake of Arizona, want to abolish the tax that pays for the federal highway program and replace the whole system with one overseen by individual states.

This insurgency, inspired by the Tea Party, reflects flawed thinking on economics, transportation policy and even American history.

Like many other excise taxes, the federal highway tax comes up for periodic renewal, which is usually noncontroversial. But not this time. If Congress doesn't act to renew the tax by Sept. 30, gas stations all over the country have to stop collecting it; the highway trust fund will never get the money; and new work on federal highway projects will come screeching to a halt.

### Costs and Layoffs

A delay of just 10 days in renewing the tax would mean the permanent loss of \$1 billion in highway funding (and layoffs for thousands of workers). Longer delays would measurably increase the national unemployment rate.

Although the gravest threat to renewal of the tax was removed last week, when anti-tax czar Grover Norquist ended weeks of uncertainty and dropped his opposition to a short-term extension, Tea Partiers and their allies on this issue haven't given up the fight over ending the tax; if they can't abolish it outright just yet, they'll push to allow states to opt out.

Incredibly, the system of highway financing championed by Republican President Dwight D. Eisenhower six decades ago is a target for today's Tea Party-influenced Republicans.

The economic impact of this radical position would be disastrous. Although it's true, as I've written, that federal road programs create fewer jobs-per-dollar than they did generations ago (due to better equipment and technology), hundreds of thousands of Americans still draw paychecks working on such projects -- and their paychecks help keep countless sandwich shops, dry cleaners, barbers and grocers in business. Cutting off this vital source of employment now, or at any time when unemployment is elevated, would be a grave self-inflicted wound.

## Misguided Policy

As transportation policy, the notion of the states taking over federal highway work is even more misguided. We have a national road system because we have national transportation needs -- to move people and goods from state to state, region to region.

States with many miles of highways and few people are likely to have less revenue to keep up these national roads and less interest in doing so, because many of the goods and visitors are just passing through on their way to someplace else. Trucks carrying goods from Chicago to Seattle, Atlanta to San Francisco and Philadelphia to Los Angeles travel through large, lightly populated Mountain West states that may be unable to finance a world-class highway system for such long-distance needs.

Just "letting the states do it" puts our national transportation system at risk. The idea is so misguided that calling it a Third World transportation system is unfair to the Third World: Developing countries are virtually all striving to build the sort of national infrastructure that the Tea Party wants to unwind in the U.S.

## Misreading History

Which brings us to the historical misunderstanding behind this anti-national crusade. Highway funding is one issue among many where the Tea Party movement has its historical perspective upside down. Our Founders were not opponents of a national road system; they were its very creators.

The survey work for the first proposed national road was done by none other than George Washington. The early Congress funded a national road that traced a path similar to today's Interstate 70, from Maryland to Indiana. Many veterans of the Revolutionary War, then serving in Congress, voted in favor of it. Even the anti-Federalist administration of Thomas Jefferson pushed the project; Albert Gallatin, Jefferson's Treasury secretary, told the Senate: "No other single operation within the power of the government can more effectually tend to strengthen and

perpetuate the Union.”

The highway-tax fight is a good moment for progressives to challenge the Tea Party -- not just over economics and transportation policy, but also over what vision of America truly reflects the legacy of our Founders. Let's not forget that the idea that brought those amazing men to Philadelphia in 1787 was to create a system of robust federal government and form a "more perfect union" -- not just to leave the states to handle their needs on their own.

(Ron Klain, a former chief of staff to Vice President Joe Biden and senior adviser to President Barack Obama on the Recovery Act, is a Bloomberg View columnist. He is a senior executive with a private investment firm. The opinions expressed are his own.)

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