

Posted at 09:14 AM ET, 08/25/2011

A short history of America's gas tax woes

By Brad Plumer

(Chip Somodevilla - Getty Images) In late September 1982, Ronald Reagan was asked whether he would support a hike in the federal gas tax. "Unless there's a palace coup and I'm overtaken or overthrown, no, I don't see the necessity for that," Reagan quipped. Yet a few months later, Democrats had posted big gains in the midterm elections, and an exultant Rep. Dan Rostenkowski, the Democratic chairman of the Ways and Means Committee, delivered a speech in Washington arguing that the gas tax needed to go up — from 4 cents per gallon to 9 cents per gallon — in order to bankroll a "massive reparation of the nation's bridges and roads."

By December, Reagan had relented. The new gas tax would fund highways, bridges, and mass transit and was predicted to create 320,000 jobs. Reagan argued that it wasn't *really* a tax, anyhow, but a "user's fee." What's more, Reagan told reporters, "we'd be doing this if there were no recession at all." Better not to think of the new five-year, \$27.5 billion bill as a jobs program, Reagan explained in his weekly radio address: "We simply cannot allow this magnificent system to deteriorate beyond repair." (Incidentally, as Time noted, Dick Cheney, then a representative from Wyoming, was highly-skeptical of the bill.)

As it happened, Reagan's reversal turned out to be the high-tide mark for Republican gas-tax support. Nowadays, the big worry among transportation advocates is that tea party types in Congress will let the 18.4 cent-per-gallon federal gas tax expire when it comes up for renewal Sept. 30. (If no action is taken by then, the tax drops to 4.3 cents per gallon and it will become impossible to maintain federal funding for highways and bridges.) So how did we get from Reagan to here?

The major inflection point came in 1990, when George H.W. Bush ended up supporting a deficit-reduction bill that included a 5-cent-per-gallon gas tax hike. His transportation secretary, Samuel Skinner, tried the Reagan trick of calling the proposal a "user fee" that didn't violate Bush's no-new-taxes pledge. This time around, however, conservatives weren't biting. Although older Republicans like Bob Dole said that a gas tax hike was worth examining, conservatives in the House, including Newt Gingrich, were flatly opposed to any tax hike and balked at the bill.

In 1993, after Bill Clinton came into office, Congress passed yet another deficit-reduction bill — this one with a further 4.3-cent-per-gallon tax hike. Clinton had loudly bashed the gas tax during his campaign, arguing that it exacerbated inequality and that a broader energy tax would be fairer. But Clinton's BTU tax foundered in the Senate, and the

Democratic Finance committee decided to swap in a gas tax hike instead. This time, not a single Republican voted for it.

That basic political dynamic hasn't changed a bit. Since 1993, the gas tax has been stuck at 18.4 cents per gallon, and it's not indexed to inflation. That means the Highway Trust Fund has periodically run into funding problems. For years, Congress's solution has been to juggle money around rather than cut highway spending or raise the gas tax. In 1995 and 1997, the Republican Congress shifted the portions of the gas tax dedicated to deficit reduction (6.8 cents per gallon all told) back to the Highway Trust Fund. That solved the problem for a short while.

Then, in 2008, the Highway Trust Fund ran out yet again. Three years earlier, Republicans and George W. Bush had renewed the gas tax, but refused to raise it. So, as oil prices spiked and Americans cut back on driving, federal gas revenue was suddenly no longer sufficient to pay for roads and bridges. So Democrats in Congress just kicked in general funds — \$8 billion in 2008, plus an estimated \$43.2 billion in stimulus money in 2009. But those fixes were also temporary. As the CBO has reported, the Highway Trust Fund will keep losing money — by 2018, it will be short \$80 billion. And that's *if* the gas tax is renewed this fall.

At this point, there are only three solutions. One is to just accept that the gas tax will never be increased and that we're just going to have to make do with less infrastructure spending. In the House, Florida Rep. John Mica has put forward a transportation reauthorization bill that would cost \$230 billion over six years — a 33 percent cut from current levels. State officials say that would be a nightmare, given our crumbling roads and bridges. A second option, floated by Barbara Boxer in the Senate, would be to keep transportation spending at current levels and just chip in general tax revenue to cover the shortfall in the Highway Trust Fund, at least until a better solution can be worked out.

The third option, of course, would be to do what Ronald Reagan did and just raise the gas tax. Call it a "user fee" and smile broadly. At this point, though, a palace coup looks more likely.