



Insight

A Return to User-Pays

GORDON GRAY | JUNE 8, 2015

Congress recently extended authority for expenditures from the highway trust funds (the larger highway account and the transit account) until the end of July, continuing a trend of short term financial fixes. Congress's penchant for short-term transportation measures is a symptom of the fundamentally broken financing mechanism for the largest national infrastructure program.

For over a decade, [highway spending authorized by Congress has exceeded revenue from the federal gas tax](#). Since 2008, the highway trust has faced imminent bankruptcy and has required several infusions from Treasury's general fund totaling \$65.3 billion.^[1] These periodic transfers have only recently been offset with other budgetary savings. No offsets, however, were needed to extend trust fund expenditures in the latest 2-month reauthorization, as the fund is sufficiently capitalized through July, at which point another general fund transfer and/or additional financing vehicles will be needed. As is often the case, the difficulty in enacting short or long-term highway authorizations stems from the need to find budgetary savings – always a difficult endeavor and getting more difficult. In the next 10 years, authorized highway trust fund expenditures are projected to exceed gas tax receipts by \$168 billion.^[2]

The growing gap stems from a bipartisan appetite for greater highway spending and equal distaste for raising the gas tax. Further, as vehicles become more fuel efficient, gas tax revenues would decline all else being equal. The gas tax is an increasingly broken financing mechanism, and absent a new financing approach, Congress will struggle to enact a long-term surface transportation policy.

Enter the state of Oregon and its new Road Usage Charge Program (OReGO). The program, still in pilot phase, would charge participants 1.5 cents per mile traveled while rebating gas taxes paid. This returns the state's road financing system to a purely user pays model, rather than relying on gas purchases as a proxy for road usage. An important unique feature of Oregon's program is that participants may choose to have their mileage tracked via a simple odometer, which does not provide the government with location information that a GPS device would. Privacy concerns have rightly proven to be a major impediment to road use charge programs.

While the program is in its infancy (it is currently enrolling 5000 volunteers) and only addresses state-level finances, it could prove a useful model as policymakers grapple with enacting a long-term surface infrastructure plan.

[1] <http://www.budget.senate.gov/republican/public/index.cfm/2015/5/may-budget-bulletin-highway-trust-fund-deadline-looms>