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# New Highway Proposal Fights Congestion with Fee-Based Express Lanes

Ronald D. Utt, Ph.D.

New highway reform legislation introduced in Congress in early 2003 could add tens of billions of dollars of new investment to our highway system without raising taxes. Called the Freeing Alternatives for Speedy Transportation (FAST) Act, H.R. 1767 promises one of the most significant improvements in the federal highway program since it was created in 1956. The FAST Act, introduced in the House by Representatives Mark Kennedy (R–MN) and Adam Smith (D–WA) and soon to be introduced in the Senate by Senator Wayne Allard (R–CO), will help relieve road congestion by implementing a series of reforms that allow states to raise revenues for road expansion by adding fees and tolls to newly built lanes.

Specifically, the FAST Act:

- **Allows** a public or private entity to collect fees to finance the expansion of a highway by constructing additional lanes on the interstate system for the purpose of reducing traffic congestion;
- **Requires** states to invest the fee revenue in road improvements in that corridor and to end the fees/tolls when the cost of the improvements is paid off;
- **Allows** states to establish high-speed toll express lanes available to motorists willing to pay the fee, and to car and van pools and bus rapid transit, at reduced or no charge;
- **Encourages** private-sector investors and builders to partner with government to finance and operate these new lanes; and
- **Requires** that all FAST-related fees be collected electronically to avoid stopping or delays.

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**Problems with the Gasoline Tax.** If America is to build its way out of worsening traffic congestion, it will need sources of revenue other than the gasoline tax. Because of improvements in fuel efficiency and a slowdown in the growth of "vehicle miles traveled," gas tax revenues have not been keeping up with road investment costs. At the same time, existing statutory diversions of up to one-third of federal gas tax revenues to non-highway purposes limit the benefits of a tax hike.

Moreover, because the gas tax is one of the most regressive taxes levied by the federal government, any additional increase will impose a disproportionate burden on motorists of modest means. For an individual motorist earning just $20,000 per year, Transportation Committee Chairman Don Young's (R–AK) proposed fuel tax increase of 5.45

cents per year in 2004 would wipe out nearly three-quarters of the federal income tax relief that motorist was scheduled to receive that year from the tax cuts enacted as part of the Economic Growth and Tax Relief Reconciliation Act of 2001.

**Opposition to Tax Hikes.** Despite the apparent shortcomings of relying on the federal fuel tax as the chief source of funds for transportation, some in Congress and the road-building industry are insisting on a substantial gas tax increase to fund an extra $60 billion in spending over the next six years. But many in Congress and the Administration are opposed to an increase in the regressive gas tax, especially during a period of economic stagnation that has increased joblessness and reduced family incomes. And, mindful of the stunning electoral defeat suffered last year by most transportation tax referenda, many in Congress are reluctant to endorse an unpopular and ineffective remedy.

With little likelihood that a tax increase will be passed this year, advocates of more road investment will have no choice but to look to tolls and other fees to raise revenues needed to expand highway capacity and repair existing roads. And by allowing greater reliance on tolls and other non-tax user fees, states and metropolitan areas will become more independent and self-reliant in fulfilling their transportation objectives.

**Much of U.S. Lags in Transportation Reform Innovation.** Although political concerns and motorist hostility have often discouraged state and federal highway officials from supporting tolls as a source of highway revenue, such fees have played an important role in the early development of what is now our interstate system. States including Maryland, Pennsylvania, New York, and New Jersey, to name a few, have used tolls to construct and maintain key components of the interstate system and to supplement revenues derived from the fuel tax. In FY 2001, state-imposed bridge and road tolls raised $4.7 billion in transportation revenues. More recently, tolls have been used by the private sector to construct optional commuter express lanes in Northern Virginia and Southern California, while state and local authorities, sometimes in partnership with the private sector, have used tolls to finance new lanes and roads in Texas, Virginia, and South Carolina.

In Europe and Asia, tolls have become an essential component of highway finance, and more and more of the roads there are owned and operated by the private sector. Britain, France, Italy, Canada, and Australia allow significant private-sector involvement in the financing and operation of their highways. Italy sold its intercity highways to private investors in the 1990s, and both Japan and China have recently announced their intention to rely on partnerships with private investors to build new road capacity.

**TEA–21 Reauthorization Offers One-Time Opportunity for Reform.** In contrast to the trend toward greater reliance on tolls and private-sector involvement abroad and in a few states, road building in the United States has changed little since the federal program was created in 1956. What changes have occurred have been confined largely to ever-escalating fuel tax rates and a worsening diversion of fuel tax revenues to non-highway purposes. Regrettably, trial balloons released by the leadership of the House Transportation Committee suggest that these counterproductive tendencies remain the preferred strategy for the future.

Fortunately for American motorists, not all in Congress are committed to the leadership's warm and generous embrace of the status quo. Many others in Congress know that the tax-and-spend policies of the past are doomed and have discovered, as the Europeans did a decade ago, that market-based reforms with private-sector participation—like those embodied in the FAST Act—are the preferred solutions.

*—Ronald D. Utt, Ph.D., is Herbert and Joyce Morgan Senior Research Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.*