

Future of Transportation Infrastructure Financing in the US

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Quiet Revolution Happening?

- # The nature of transportation finance is changing fundamentally & on a large scale
- # The change is happening gradually, without much public notice or broad discussion
- # Question: Is the current direction of change desirable or not?
- # Implication...I think the answer may well be "NO"

Local Streets & County Roads

- # Financed largely by property taxes on residential and commercial land...and ought to be
- # Most benefits come from "access" to property: postal delivery, ambulance, fire, police, water, sewer, telephone service.
- # Access gives value to property & value should be "recouped"
- # Local streets & county roads carry tiny % of all traffic

History of Transportation Finance

- # Local Streets and County Roads:
Transportation Finance: 90%++ of System
- # State Highways Bankrupting States in 1915-25 period; Fastest Growth of Autos and Roads Ever....Led to innovation of "User Fees."
- # Tolls most Desirable User Fee in Principle
- # Motor Fuel Taxes and Various "Car Taxes" adopted as "Second Best" but Workable

History of Transportation Finance

- # Motor fuel taxes enormously popular
- # Supported by wide variety of constituencies
- # Adopted in every state by 1940
- # Federal motor fuel tax in thirties
- # Fundamental finance mechanism for Interstate System in fifties

History of Transportation Finance

- # User fees in USA became associated with “trust funds” and non-diversion constitutional provisions in many states
- # Elastic definition of user fees allowed expansion to transit and to environmental mitigation in many states
- # “Hypothecation” not common worldwide

Motor Fuel Taxes

- # Usually expressed as "Cents per Gallon"
- # Must be raised by act of legislature
- # Revenue does not rise automatically with inflation as does income tax or sales tax
- # Improving Fuel Economy lowers revenue per mile of driving
- # Revenue declining precipitously in relation to VMT

Figure 3.1
California Gas Tax Rate

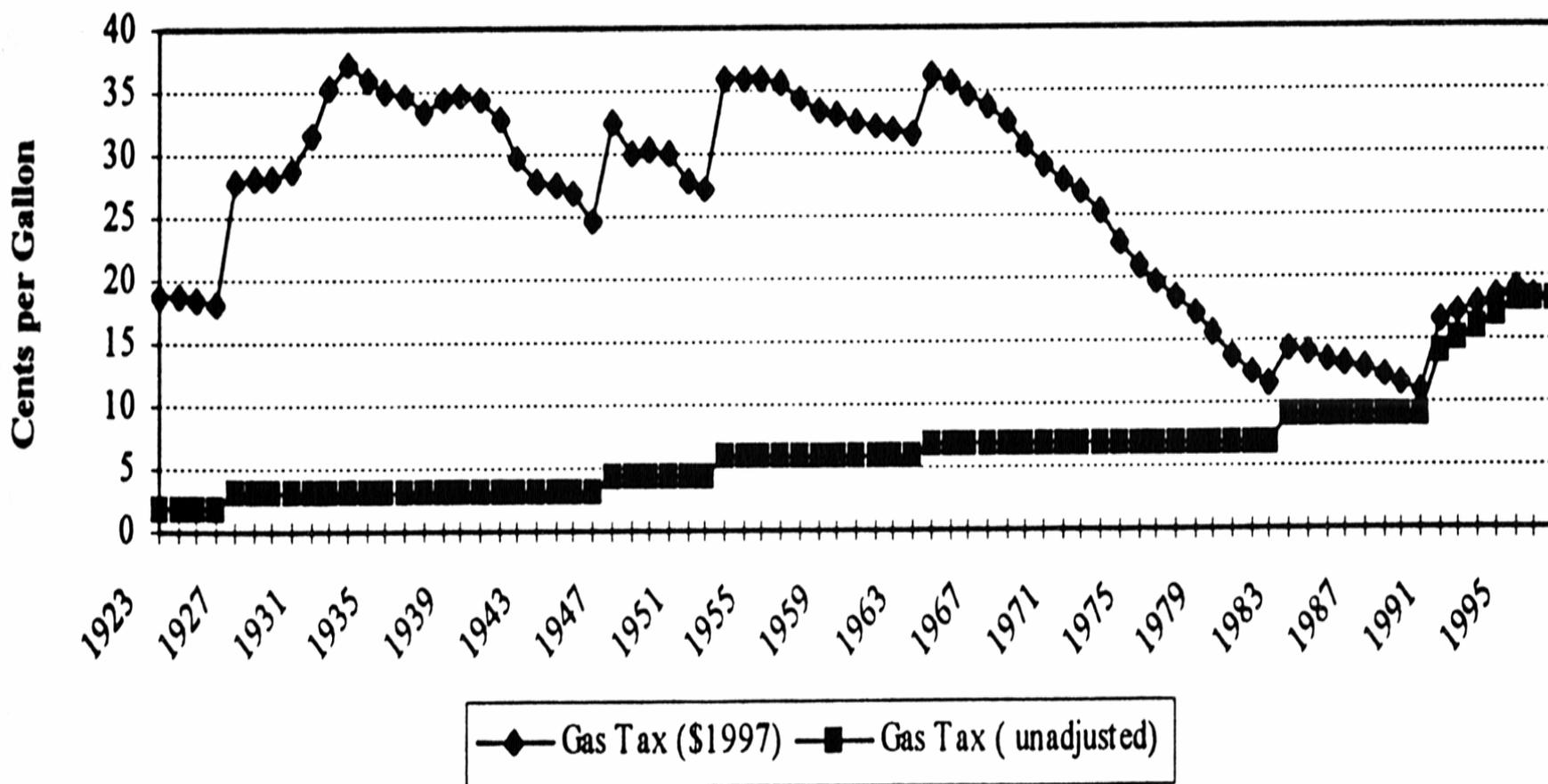
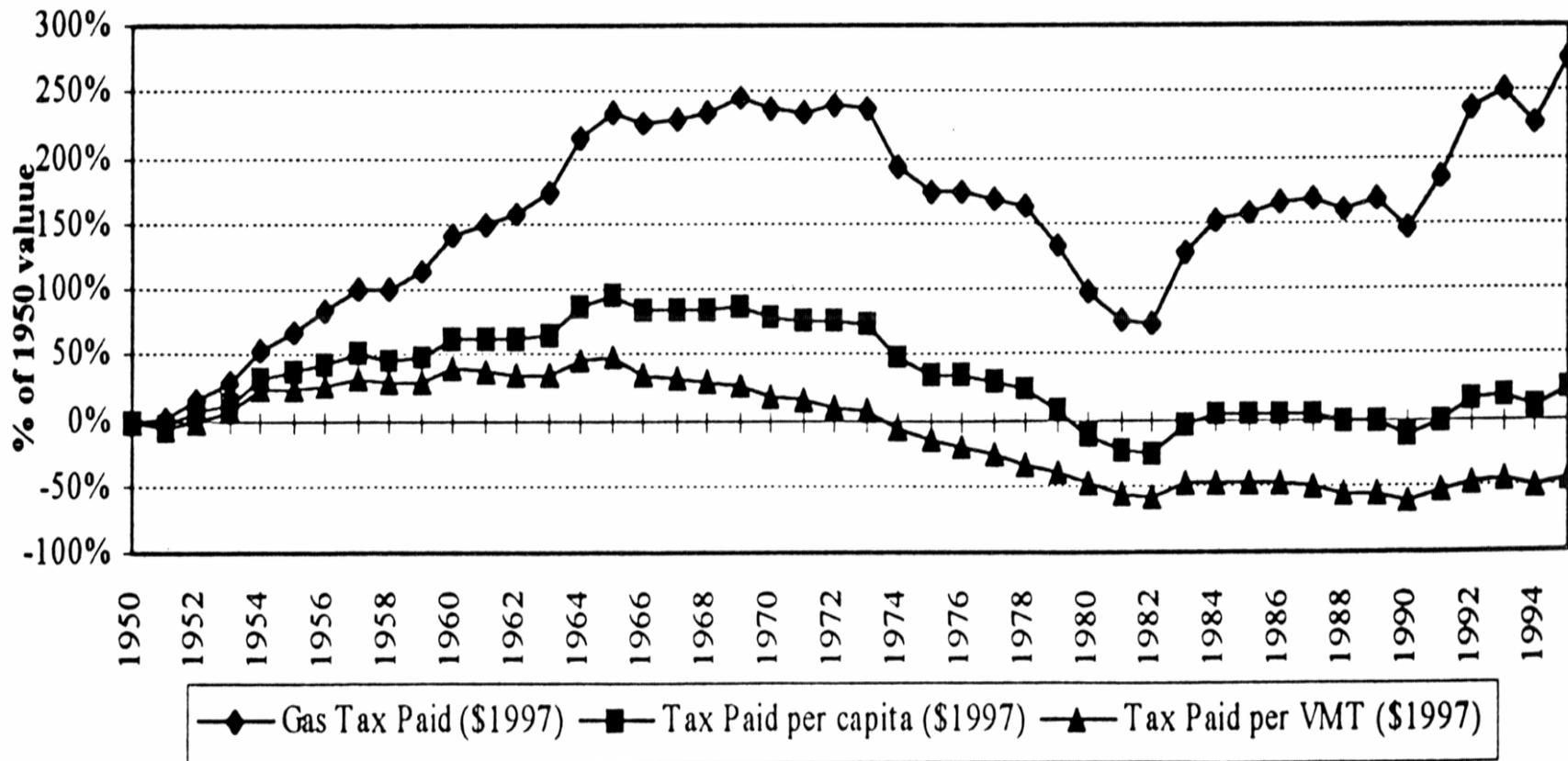


Figure 3.2
% Change in Federal and State Fuel Tax Paid in California
1950-1995



Fuel Tax Changes, 1957-2002

- # Average of Fifty States
- # State Fuel Tax in 1957:
5.7¢/gal
- # If adjusted for Inflation in 2002:
31.0¢/gal
- # Actual Current Fuel Tax:
20.3¢/gal
- # Difference
10.7¢/gal

Changes in State & Local Transportation Revenue, 1995-99

	Billion\$/Year	% Change
State User Fees	36.2-42.7	+18%
State Borrowing	4.3-8.3	+92%
Other State Taxes	6.6-8.6	+30%
Local Property Taxes	5.2-6.4	+22%
Local General Funds	12.3-15.9	+29%
Other Local Taxes	4.5-7.1	+58%

Quiet Revolution Under Way

- # State legislatures reluctant to raise user fees
- # Increasingly reluctant to directly raise fees or taxes at all
- # Putting measures on ballot for voters to enact instead of taking action in legislatures

Survey of Fifty States

- # Number of states granting authority to local governments.....All since 1970
- # 15 States: Local motor fuel taxes
- # 33 States: Local vehicle license/registration fees
- # 33 States: Local option sales taxes
- # 15 States: Local income/payroll taxes
- # A few others....severance taxes; impact fees; real estate transfer taxes, mortgage recording taxes

Change is happening quickly

- # 44 Transportation Finance Ballot Measures in US in 2002
 - # 32 Local/Regional in Nature
 - # 9 Statewide
- # 20 Dealt with sales taxes
- # 5 Property taxes
- # 1 Gasoline tax 9 Bond issues

Local Option Sales Taxes

- # Most popular and fastest growing
- # National survey and detailed study of California (18 Counties; 80% of Population)

Major Features of LOSTS

Majority vote or supermajority
Project lists/categories
Sunset dates/reauthorization
Implemented by local govts.

Issues Raised by LOSTs

- # Move away from user fee philosophy
- # Sales Tax is broad based tax
- # Regressive
- # Consistency with Regional Transportation Plans
- # Project delivery
- # Local authority and responsibility
- # Flexibility versus specificity
- # Salience of issue of "trust"

Issues Raised by LOSTS

- # Christmas tree measures
- # Pay to play measures may be even worse (California Proposition 51)
- # Dissociation between projects and efficiency of management of system

Broader Questions Worth Asking

Why won't politicians act directly?

Revenue is just revenue

User fees are not understood

Term limits are an issue

Broader Questions Worth Asking

Is user fee concept still valid and appropriate?

User fees provide incentives to efficiency

Motor fuel taxes were second best, and may be declining

Technology to the rescue/ A new era of tolls

Attitudes changing toward tolls, if you get what you pay for

But realistically, there is a long way to go

THANK YOU!

ITS TIME FOR YOUR QUESTIONS AND
COMMENTS.

