A Plan to Reform and Preserve the Highway Trust Fund

The Highway Trust Fund

- The Highway Trust Fund (HTF) is the main federal source of funding for road construction and maintenance across the country
- The 18.4-cent per gallon gasoline tax and 24.4-cent per gallon diesel tax are the main revenue sources for the HTF.
- Various taxes on the sale and use of heavy-duty trucks also contribute to the HTF.

Problem: HTF Bankruptcy

- The Congressional Budget Office (CBO) estimates that the HTF will become insolvent in 2028
- In 2023 the HTF ran a $26 billion shortfall, the largest in history
- By 2034 CBO estimates the shortfall will grow to $46 billion
- The three main reasons for the HTF shortfall are:
  1) Congress has not increased gas and diesel taxes since 1993.
  2) Cars and trucks are much more fuel efficient than they were 30 years ago
  3) Battery electric vehicles, which currently make up about 1% of vehicles on US roads, do not pay gasoline taxes
- Congress has filled the annual shortfall in the HTF with money from the general fund, but the general fund is facing its own debt crisis due to pending insolvency of Medicare, Medicaid, Social Security and the interest on the debt. **The HTF needs to be completely reformed**

Solution: Eliminate Gas Tax

- Eliminate all of the current taxes on fuel and trucks that fund the Highway Trust Fund
- Replace those taxes with an annual fee charged on each vehicle that uses public roads
- The fee is based on the vehicle's weight:
  - $135 for most passenger cars
  - $165 for large SUVs and pickup trucks
  - Up to $4,600 for the largest commercial trucks (18-wheelers)
- This fee schedule will generate about $70 billion to fully fund the Highway Trust Fund
- Natural growth in the US vehicle fleet would increase the amount of revenue collected each year

Fee Collection

- The vehicle fee would be collected by the states and attached to their current process for collecting state registration
- Every state and DC already have a system set up to collect state registration fees
- Adding the federal fee would not require a significant cost to operate nor would it require a significant amount of time to transition to. Finally, since the amount of vehicles in the national fleet continues to increase year over year, which is not the case for VMT and fuel taxes which continue to decline.

Benefits of the New System

- Lower gas prices
- Avoids privacy concerns associated with mileage-based feel proposals like a VMT
- Stable and full funding allows federal and state policymakers to plan efficiently
- Low cost of collection through existing state systems
- Fuel agnostic: charges gasoline, hybrid, diesel, electric, and other vehicle types in the same way
- Eliminating federal excise tax on new trucks encourages purchase of newer, safer, and cleaner trucks on the road