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to achieve positive change, they are more likely to embrace it. With the current indirect system (cents per gallon at the pump, hidden to most consumers in the price of gasoline), most people do not know what they are paying now relative to what is being provided and, more important, what is required to achieve an effective surface transportation system. The direct user charge system being proposed has the potential to make the connections much more evident and thus improve the willingness of individual system users to pay their fair share of the cost. But it will require education and outreach to reach that point.

Addressing the More Immediate Federal Funding Crisis

The stakes are too high and the hole we have dug for ourselves too big to wait for a new revenue system to be put in place. The Commission therefore offers the following recommendations for the federal surface transportation funding system in the short to medium term (i.e., starting with the upcoming reauthorization of federal surface transportation programs if not before).

- **Enact a modest 10¢ increase in the federal gasoline tax, a 15¢ increase in the federal diesel tax, and commensurate increases in all special fuels taxes, and index these rates to inflation.** These adjustments should be enacted in conjunction with the upcoming reauthorization of the federal surface transportation programs if not sooner. The Commission recognizes that the increases recommended here are not easy to achieve, especially in the context of the current economic recession, and that larger increases would be even more difficult to enact. The Commission, however, views the need for this increase as urgent and critical to begin to stem the degradation of the Highway Trust Fund and make positive strides forward.

The proposed 10¢ gas tax increase to maintain the current federal surface transportation program level equals:

- 1/2¢ per mile
- \$5 a month per vehicle
- \$9 a month per household*

*Based on 1.89 vehicles per household and 11,818 miles driven per vehicle (2006 Highway Statistics), and 20.4 average MPG (EIA 2008 estimates).

These adjustments approximate the amounts required to recapture the purchasing power lost to inflation since 1993, the last time the federal HTF taxes were raised. They translate into approximately \$20 billion per year in additional revenue for the Highway Trust Fund. While this is necessary to fund the current level of federal commitments and helps alleviate a portion of the funding gap, it does not eliminate it—closing approximately 43 percent of the “cost to maintain” federal funding gap and 31 percent of the “cost to improve” gap for the combined highway and transit system based on the Commission’s estimates. Addressing the remaining annual funding gap will require either more substantial increases or other revenue streams, or both.

The impact on individual households of the recommended gas tax increase is that on average they would pay approximately \$9 per month more in federal gas taxes (individual households now pay on average \$17 per month). By comparison, the average household pays about \$300 per month to operate and maintain its cars (and about \$800 per month to own and operate them).⁵