

# Bloomberg

## Higher gas tax needed to improve U.S. roads

By Barry Ritholtz | April 30, 2015

Get in your car and go for a drive just about anywhere in the U.S. You will be confronted with a transportation system desperately in need of a reboot. I'm not referring to a full upgrade to smart roads — the sensor-driven intelligent system that promises to move vehicles more cheaply and efficiently. Rather, I refer to essential repairs: filling potholes, basic maintenance.

In the U.S., we have allowed a transportation grid that was once the envy of the world to become an embarrassing wreck.

Since 1993, the U.S. federal gasoline tax has been 18.4 cents a gallon. This money finances the Highway Trust Fund. Adjusted for inflation, the tax is about 10 cents a gallon. It isn't as if Americans are overtaxed in this respect: The U.S. has the third-lowest gas taxes in the world, with only Kuwait and Saudi Arabia taxing gasoline less.

Unlike most user taxes, the fuel tax isn't indexed to inflation. According to the Federal Highway Administration, about 70 percent of regular roadway maintenance costs and 80 percent of capital spending is paid for by federal gas taxes, with states and local municipalities covering the rest. As costs for repairs have increased, revenue to pay for ordinary maintenance and repairs has failed to keep pace.

The roads in this country are aging, with the Eisenhower Interstate Highway System coming up on its 60th anniversary. Many of the bridges and tunnels are years or decades past their expected useful lives. Add to that two consecutive brutal winters that did significant damage to roads in the Midwest and Northeast. Find a stretch of asphalt that's more than a few years old and chances are it will be riddled with potholes and buckled by frost heave. The need for repairs has never been greater in your lifetime than it is today.

And the Highway Trust Fund? It will be broke by July.

There are many forces driving the fund toward insolvency. First, the tax, adopted in 1932, has never been adjusted for inflation and has been raised periodically by Congress. Regardless of the need for repairs and basic maintenance, even a modest rate of inflation guarantees that eventually the fund will be exhausted.

Second, the simple fact is that during the recession, Americans drove less. Here we are almost six years after the recession ended and total miles driven by Americans has finally surpassed pre-crisis highs. (By the way, on a population-adjusted basis, miles driven still hasn't reached the high hit in 2005.)

Last, the U.S. fleet of cars is more efficient than ever. Your fuel-sipping car saves you money each time you fill up, but as a result you send less in tax to the Trust Fund.

The solution is as obvious as it is rational: Raise the gas tax so we can start making the improvements to our infrastructure today — and index it to inflation, so the fund can stay solvent.

The reason we haven't done that yet is simple: lack of leadership among our elected officials. Simple intimidation explains much. Politicians have become so fearful of the Grover Norquist-type antitax zealots that elected officials refuse to address a significant problem with a justifiable and historically successful solution.

Perhaps cowardly politicians are afraid to admit they must raise taxes to pay for things like roads and bridges. So let's shift the rhetoric around on this issue. Instead of calling it a gas tax, let's rename it. I propose “usage fees on America's transportation network.”

That's not as catchy as renaming the millionaire's estate tax a “death tax,” though it's certainly more accurate. But at least it's a start.