

### AMPO Policy Primer: The Highway Trust Fund

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#### Overview

The Highway Trust Fund (HTF) is a crucial source of federal funding for transportation. It is particularly significant for MPOs, which rely on HTF resources to plan, program, and coordinate federal transportation investments in their regions. This primer provides an overview of the challenges facing the HTF and potential solutions to ensure its sustainability amid evolving transportation trends and revenue challenges. For a detailed analysis, scan the QR code to access the report.

#### What is the HTF?

The HTF, established in 1956 and codified in the Internal Revenue Code, is funded by federal excise taxes on gasoline, diesel fuel, heavy truck sales, tires, and vehicle use. It finances federal highway, mass transit, highway safety, and motor carrier safety programs. As of FY 2023, the HTF had a \$17.8 billion structural deficit due to revenue shortfalls. Since 2008, Congress has periodically transferred funds from general revenues to cover these gaps.

#### *The Importance of the HTF*

The HTF is critical for maintaining and developing the nation's transportation infrastructure. It ensures a dedicated funding stream for essential projects that support highway and transit systems across the country.

#### What is Problem?



**Revenue Shortfalls:** The HTF relies mainly on federal excise taxes on gasoline (18.4 cents per gallon) and diesel (24.4 cents per gallon), making up about 85% of its revenue. Since 2001, revenues have often fallen short of expenditures due to fixed fuel tax rates that do not adjust for inflation or improved fuel efficiency.



**Funding Gaps:** HTF funding shortfalls have been addressed by over \$275 billion in transfers from the Treasury's general fund since 2008. Without significant changes, the Congressional Budget Office projects the HTF will be depleted by 2028.



**Transportation Trends:** Trends like improved fuel economy, the rise of electric vehicles (which don't contribute to fuel taxes), and changes in driving habits further strain the HTF. With slower growth in vehicle miles traveled (VMT) and decreasing fuel consumption, the HTF faces ongoing revenue challenges, threatening the maintenance and expansion of US transportation infrastructure.

#### Exploring Alternatives

Given the political difficulty of increasing fuel taxes, alternative approaches to support the HTF are being considered by Congress. Options include implementing VMT charges, carbon taxes, and fees on electric vehicles. Additionally, restructuring the HTF to better align with modern transportation trends and diversifying revenue sources may be methods to support the fund's long-term sustainability.