LEADERSHIP INITIATIVE ON
TRANSPORTATION SOLVENCY

CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

OVERVIEW

Carnegie's Leadership Initiative on Transportation Solvency was founded to develop a non-partisan solution for funding an improved and self-sustaining transportation system in the United States. Under the leadership of three distinguished and bipartisan experts—former U.S. Senator Bill Bradley, former Pennsylvania Governor and Homeland Security Secretary Tom Ridge, and former U.S. Comptroller General and now founder and CEO of the Comeback America Initiative David Walker—the initiative conducted an analysis of the strategies to fund America's transportation system that are politically realistic while also making transportation better, greener, and more fiscally sound.

THE BASICS ON TRANSPORTATION

- Funds are raised through a combination of federal gasoline and excise taxes and then deposited into the Highway Trust Fund, which is used to maintain America's transportation infrastructure.
- When Congress created the Interstate Highway System in 1956, it was meant to be self-sustaining.
- The gas tax has remained unchanged since 1993 and at the same time transportation spending has continued to grow.
- Today, there is an ever-widening gap between the amount of money flowing into the system and the amount being spent.
- The Highway Trust Fund has to be bailed out year after year. Of the $78 billion spent annually on transportation, $25 billion comes out of the U.S. Treasury.

THE PROBLEM WITH TRANSPORTATION

- **Contributes to a fiscally unsustainable system:** American transportation infrastructure is currently being paid for with borrowed money, further increasing our soaring national debt.
- **Maintains U.S. dependence on foreign oil:** In 2010, the United States imported $323 billion of crude oil and petroleum byproducts. Americans have fewer incentives or alternatives to reduce gasoline consumption and thereby break our dependence on foreign oil.
- **Erodes America's economic competitiveness:** As a share of GDP, Europe is investing twice as much in transportation and China is investing four times as much as the United States. Inadequate investment in transportation translates into higher costs for American business and slower, less reliable access to markets.
- **Delays repair of crumbling infrastructure:** With funds in short supply, the United States must delay critical maintenance and improvements to America's roads, rails, and mass transit.
- **Exacerbates traffic congestion:** America's transportation capacity simply isn't keeping pace with the growing number of travelers and trips, leading to increased wait times and lost productivity.

OVERARCHING PRINCIPLES TO ADDRESS THE PROBLEM

- **Adopt a consolidate-and-invest mentality:** There are currently 108 federal transportation programs, many of which are outdated or duplicative. Overlapping programs should be merged and those that are no longer relevant should be eliminated.
- **Increase accountability:** More than 80 percent of transportation funds are currently distributed by formula, rather than need or performance. Accountability should be increased by establishing metrics to ensure projects are cost-effective, necessary, and promote long-term economic growth.

THE SOLUTION TO INCREASE REVENUE AND REFORM TRANSPORTATION

- **Ban transportation earmarks:** Earmarks are not subject to standard planning requirements, nor are they required to show their benefits outweigh their costs. Transportation earmarks represent an inefficient use of limited public dollars and ought to be eliminated.
- **Establish a National Infrastructure Bank:** A National Infrastructure Bank, led by an independent board of directors, should be founded and charged with ensuring transportation projects meet national, not just parochial, objectives.
- **Adopt an oil security and price stabilization fee:** As the world oil price rises, an ad valorem tax would be applied to oil imports and oil production. When the world price of oil declines, the fee would apply instead to retail sales of gasoline. Such a fee would simultaneously raise needed revenue for transportation infrastructure and exert a countercyclical effect on prices at the pump.

THE BENEFITS OF TRANSPORTATION REFORM

- **Decreases the deficit:** Pricing transportation carbon would make the Highway Trust Fund solvent, end the unsustainable practice of funding transportation improvements with borrowed money, and reduce the annual deficit.
- **Reduces U.S. dependence on foreign oil:** Pricing transportation carbon would incentivize Americans to consume less fossil fuel, thereby reducing our dependence on foreign oil and enhancing our national security.
- **Stabilizes price of gasoline:** With a countercyclical price-at-the-pump system, consumers and businesses will benefit from a relatively stable gas pricing structure that allows them to better plan for and manage expenses.
- **Supports long-term economic growth:** By facilitating the movement of people, goods, and services, transportation infrastructure is an investment in long-term growth that will help keep America competitive in the twenty-first century.
- **Rebuilds American infrastructure:** With sufficient revenue, the U.S. would have adequate funds to be able to create jobs to repair or replace our rapidly deteriorating roads, rails, and bridges.
- **Increases traffic efficiency:** A reliable source of revenue would enable investments in greater capacity and the deployment of smart technology, reducing traffic congestion and improving the daily lives of millions of Americans.
- **Reduces carbon emissions:** Pricing transportation carbon would help speed the adoption of cleaner, more efficient vehicles and alternative fuels, thereby helping mitigate climate change.

ABOUT THE CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

Founded in 1910, the Carnegie Endowment is a leading, nonpartisan think tank specializing in foreign affairs. It is also the world's first truly global think tank with operations in Washington, D.C., Moscow, Beijing, Beirut, and Brussels.

FOR MORE INFORMATION

Additional details on the Leadership Initiative on Transportation Solvency are available on the web at: www.carnegieendowment.org/transportation. For more information, please do not hesitate to contact our director, Shin-pei Tsay, at (202) 939-2266 or stsay@ceip.org.