Written Statement
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Subcommittee on Highways and Transit

"America Builds: The Need for a Long-Term Solution for the Highway Trust Fund"
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Chairman Rouzer, Ranking Member Norton, and members of the Subcommittee on Highways and Transit of the Committee on Transportation and Infrastructure, thank you for the opportunity to testify before you. My name is Adie Tomer and I'm a senior fellow at the Brookings Institution. I want to emphasize that my written remarks—plus what we'll discuss during the hearing—are strictly my personal views and do not in any way reflect the views of the Brookings Institution, its other scholars, employees, officers, or trustees.

This hearing comes at an opportune time. The Highway Trust Fund is one of the most powerful fiscal instruments in the federal government's investment toolbox. The Trust Fund's unique design allows federal lawmakers to approach investment through multiyear cycles, which is exactly what state, regional, and local owners of physical infrastructure assets need to plan and invest with confidence. Decades of steady use of the Trust Fund's design have helped catalyze significant improvements in the country's surface transportation network, making a profound impact on how people and goods move across America. Said plainly, the Trust Fund is a national asset.

At the same time, Congress and the extensive stakeholder community know that the Trust Fund needs mechanical improvements. Revenues have failed to keep up with outlays for over two decades. Fortunately, the menu of policy responses is well established and thoroughly researched. Vehicle registration fees, road user charges, and private financing instruments are all viable options alongside established alternatives such as increasing gas taxes or transferring general fund revenues. The federal government has the capacity to shore up the Trust Fund and a proven record of doing so.

However, deciding on mechanical solutions would be short-sighted if not married to candid debate around what kinds of investments the Trust Fund should support and the aggregate level of investment the country needs. The federal government is already falling behind historic investment levels, which has the knock-on effect of reducing total state and local investment too. Meanwhile, emerging challenges such as a poor roadway safety record should force a fresh look at what national goals we're failing to achieve and what kinds of spending would better address the performance gaps.

As this Committee and your peers take the lead on surface transportation reauthorization, you have a profound opportunity to adopt investment policies that will create more economically dynamic and secure communities for generations to come. The Highway Trust Fund is a powerful tool to help achieve that overarching goal, especially if coupled with targeted improvements to what it funds and how it distributes that funding.

Why America needs to continue investing in surface transportation

It's important to start with exactly why surface transportation matters so much to our economy and society. Every day, all of our streets, highways, rail lines, and intermodal facilities accommodate over 1 billion trips and move over 55 million tons of freight.[1] Even the country's $526 billion in international goods traded by maritime and air freight in 2023 wouldn't be possible without surface transportation network links to their local producers and consumers.[2]

Most of that surface infrastructure is publicly owned and a testament to the collaborative nature of America's federalist system. States predominantly own major roadways such as the federal interstate highways, but many also own transit systems, intercity rail, and other surface assets. Localities own even more assets, including almost half (44%) of the country's federal-aid highway system and the vast majority of transit systems.[3] The Bureau of Economic Analysis values the country's government-owned highway and streets structures at $4.94 trillion, and that doesn't even include all the various transportation equipment owned by public agencies or other private and public transportation structures.[4]

While the federal government owns very little of the physical network, federal lawmakers have long understood the national imperative to invest in other's assets. Multiple sections in Chapters 23 and 49 of the United States Code have enshrined national goals for the country's surface transportation network, including promoting system reliability, improving safety, supporting regional economic development, and reducing project delays. National law is clear: The federal government should use its fiscal resources to make direct investment in the network and induce more investment by state and local peers.

That grand investment effort is never complete, though, because the network itself will perpetually need improvement and the demands placed on the entire system will always change with time. Recent indicators underscore just how pressing today's investment needs are, both on the network itself and for the households and businesses that depend on it:

- States successfully built out the interstate highway network during the second half of the 20th century, with the Trust Fund largely underwriting the effort. Now local roads are suffering; per recent Brookings research, 49% of locally owned principal arterial mileage—America's major roadways—is in poor condition, compared to 7% of mileage on similar state-owned roads.[5]

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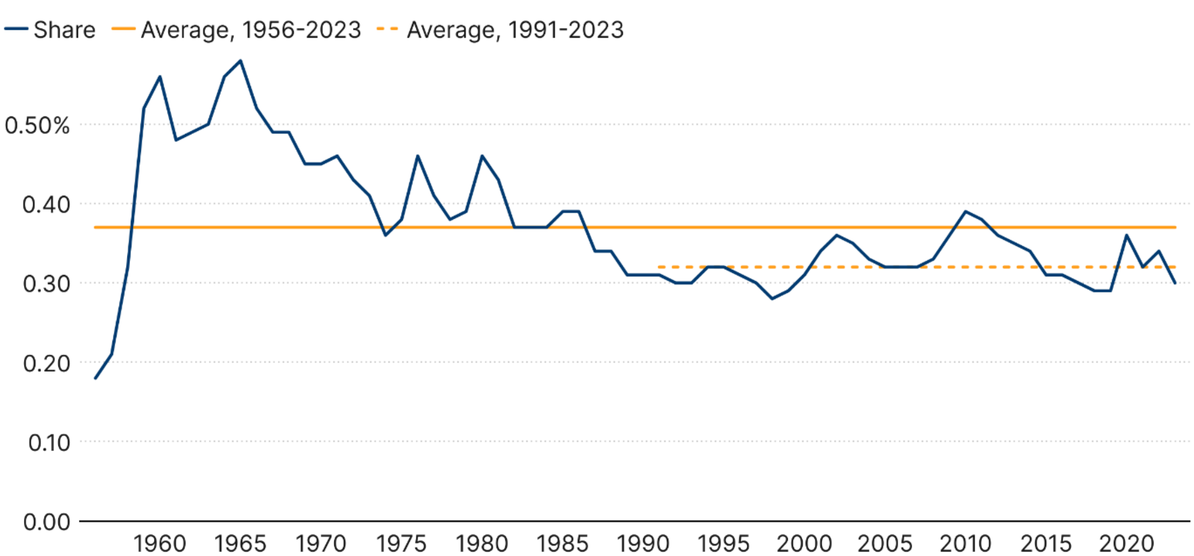
[1] Adie Tomer and Ben Swedberg, "Connecting the DOTs: A survey of state transportation planning, investment, and accountability practices", Brookings Institution, 2024. Available online at: https://www.brookings.edu/articles/connecting-the-dots-a-survey-of-state-transportation-planning-investment-and-accountability-practices/ [accessed April 2025].
[2] Bureau of Transportation Statistics; see: https://data.bts.gov/stories/s/Moving-Goods-in-the-United-States/bcyt-rqmu/
[3] Adie Tomer and Ben Swedberg, "Highway shakedown: How local road users are subsidizing state highway investments", Brookings Institution, 2025. Available online at: https://www.brookings.edu/articles/highway-shakedown-how-local-road-users-are-subsidizing-state-highway-investments/ [accessed April 2025].
[4] Table 7.1, Fixed Asset Account Tables, 2023, Bureau of Economic Analysis
[5] Tomer and Swedberg, 2025.

- Certain transit system components need upgrades to reach a state of good repair, including 14% of vehicles and 17% of systems.[6] In total, the U.S. Department of Transportation (USDOT) estimates the replacement cost (otherwise known as the "reinvestment backlog") for transit assets falling below the state of good repair at over $100 billion.
- Even after constant focus among government officials at all levels, roadway injuries and fatalities are still stubbornly high. Fatalities alone increased by nearly 10,000 per year in the decade leading up to 2022.[7]
- The growing quantity of extreme weather events—which keep costing the country more each decade—have begun to impact surface transportation assets. The washing away of vital arteries in North Carolina, regularly submerged roads in Miami, and melted transit cables in Portland, Ore. all demonstrate the need to harden essential assets.

Addressing the country's maintenance needs and contemporary challenges requires significant fiscal commitment. The Infrastructure Investment and Jobs Act (IIJA) did increase nominal spending, but even those funds are failing to keep up with historic averages. When comparing nominal federal spending on highways and transit to gross domestic product (GDP)—a way to control for economic era—the most recent year was below average spending from 1991 to 2023, and even worse if looking at averages back to 1956.

Federal spending on highways and mass transit, share of GDP



Source: Brookings analysis of Congressional Budget Office data

Brookings Metro

Federal spending is especially important because it induces further spending by state and local governments, particularly on highways. The Congressional Budget Office's research found that

[6] U.S. Department of Transportation, see: https://www.fhwa.dot.gov/policy/25cpr/pdf/CP25_Full_Report.pdf#page=53
[7] This is as reported by the Federal Highway Administration's 2022 Highway Statistics, and includes data since 1967.

"state and local governments reduce their own per capita spending on highway capital by 26 cents for an additional dollar of annual federal formula grants; that finding is toward the lower end of a broad range of estimates in the existing literature. The rate of substitution decreases as state and local governments run larger deficits, such that, all else being equal, *those governments spend more of their own funds on highways when federal grants increase* [emphasis added]."[8]

The Highway Trust Fund is a national asset—and a range of revenue sources can support long-term solvency

Federal legislators gave future lawmakers a great gift in 1956. Establishing the Highway Trust Fund separated many federal transportation programs from the annual appropriations negotiations that most domestic discretionary spending programs must navigate. For the seven decades since then, Congress has continued to use multiyear authorizations to deliver the kinds of guaranteed funding that complement the capital budgeting approach and lengthy construction cycles used by their state and local partners. Passing those multiyear authorizations depends on a solvent Highway Trust Fund, meaning there are enough available funds with the highway and mass transit accounts to cover multiple years of committed federal expenditures.

Maintaining a solvent Trust Fund has always required lawmakers to closely follow changes in the marketplace and adopt revenue-related reforms when necessary. Over the Trust Fund's first five decades, the addition of millions of new drivers, the stretching of average trip distances, and the dramatic rise in trucking volumes all boosted gasoline tax and other revenues that effectively get deposited directly into the Trust Fund. Yet even with those market developments, lawmakers still needed to increase the gas tax multiple times between 1956 and 1993 to keep up with proposed spending.[9]

The market patterns and revenue responses shifted in the 21st century, but maintaining the investment power of the Highway Trust Fund has not wavered. Average trip distances stopped growing at the same rate, the rate of new drivers slowed, and greater fuel efficiency all led to missing expected revenue targets. The emergence of electric vehicles only accelerated the reduction in relative gas tax returns.[10] And while legislators continued to increase nominal spending in reauthorizations, they chose not to increase the gas tax or adopt new direct revenue sources to make up the revenue-spending gap. Instead, Congress chose general fund transfers as their preferred method to keep the Trust Fund solvent.[11]

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[8] Sheila Campbell and Chad Shirley, "Fiscal Substitution in Spending for Highway Infrastructure", Congressional Research Service, 2021. Available online at https://www.cbo.gov/system/files/2021-10/57430-Fiscal-Substitution.pdf [accessed April 2025].

[9] The Federal Excise Tax on Motor Fuels and the Highway Trust Fund: Current Law and Legislative History", Congressional Research Service, 2016. Available online at https://crsreports.congress.gov/product/pdf/RL/RL30304 [accessed April 2025].

[10] Julie Hotchkiss and Kalee Burns, "Electric Vehicles, Potholes, and Taxes: Who Pays the Price?", Federal Reserve Bank of Atlanta, 2023. Available online at https://www.atlantafed.org/-/media/documents/research/publications/policy-hub/2023/07/11/04--electric-vehicles-potholes-and-taxes--who-pays-price.pdf [accessed April 2025].

[11] "Funding and Financing Highways and Public Transportation Under the Infrastructure Investment and Jobs Act (IIJA)", Congressional Research Service, 2023. Available online at https://www.congress.gov/crs-product/R47573 [accessed April 2025].

Relying on general fund transfers has caused consternation among many stakeholders, but it's worth recognizing that every decision made by past bill authors adhered to the same general principle: The federal government is a more helpful investor in surface transportation networks when it can tap the multiyear spending authority the Highway Trust Fund unlocks. Whether it's general fund transfers, increasing the gas tax, or using any number of other fiscal instruments, maintaining Trust Fund solvency will always require some level of debate and eventual agreement among federal lawmakers.

That's exactly where this current Congress now sits as it starts the next reauthorization process. Per a January update from the Congressional Budget Office, the Trust Fund could easily face a $180 billion total shortfall over the next five-year authorization.[12] Continuing to deliver the scale of investment the country needs—and doing so through the Trust Fund model—will require this Congress to understand revenue alternatives and consider how those work in different combinations.

We certainly are not short on fiscal instruments to choose from. There are multiple proposals circulating to add national vehicle registration fees, some of which apply to all vehicles and some of which would only apply to electric vehicles. A road user charge, or vehicle miles traveled (VMT) fee, is continuing to be tested domestically and abroad. The gas tax could easily be raised either as a flat amount or through a new indexed system. Lawmakers could adopt a targeted sales tax to tap the steady growth in e-commerce. Even with inconsistent performance, there are still some individuals asking to use even more private financing models to extend the reach of public funds. Finally, the general fund will continue to be available. All of these alternatives have their merits, and various combinations could address long-term revenue needs.

Fortunately, there is also no shortage of available research on how each of these alternatives work in practice. Industry experts and independent researchers can all help you answer critical but thorny questions under each. For example:

- How would each instrument spread tax incidence among different households, businesses, and geographies?
- What are the compliance costs to ensure any new vehicle registrations system can minimize fraud and avoid double-charging owners vis-à-vis state laws?
- Road user charges are the ideal instrument for many, but what are the realistic timelines to establish a national system and what kinds of complementary policies (such as a national ID) are necessary to make it work?

I recommend Congress set up a serious, bipartisan working group to pool published knowledge, address those thorny questions, and share the results with the public. The group's mandate should be narrow: to provide unbiased information on how well each revenue instrument could support multiyear federal funding for surface transportation. One model for this approach would be a more streamlined version of SAFETEA-LU's fiscal study commissions. If executed well, the group can help build trust among lawmakers—and trust has always been an invaluable ingredient in Congress' ability to pass bipartisan surface transportation authorizations.

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[12] Highway Trust Fund Accounts, Congressional Budget Office, 2025. Available online at https://www.cbo.gov/system/files/2025-01/51300-2025-01-highwaytrustfund.pdf [accessed April 205].

Spending policies will continue to determine the Highway Trust Fund's real-world impact

The Highway Trust Fund is an invaluable tool for federal lawmakers, their state and local counterparts, and the broader transportation industry. But it's still just a tool. The Trust Fund itself doesn't differentiate between where gasoline and diesel were consumed. The Trust Fund isn't codified to advance any specific economic competitiveness goals. It's simply there to facilitate execution on congressional priorities through formula funding programs.

That's why any debate around the Trust Fund's solvency isn't just about fiscal mechanics. The first-order questions revolve around measuring our progress against established national goals, considering what kinds of projects will help address deficiencies, and determining where those investments should take place. Answering those difficult questions will help to estimate total investment needs and how much revenue is needed to fill that gap.

I applaud this Congress for initiating conversations to answer those first-order questions, including through public hearings such as this one. Since this specific hearing is focused on Trust Fund solvency and capabilities, there are three specific areas that I recommend Congress address:

1) Eliminate the local to state subsidy.[13] From 1956 through the end of the century, Congress and the states perfected a system to capture revenue from the growing pool of drivers to build highways mostly from scratch. The resulting 160,000-mile network is still instrumental in promoting goods trade and shortening trip times across the country, making that network's maintenance an ongoing national priority. Yet while that original build-out was essentially complete in the early 1990s, the federal government is still generating tax revenue from use of local roads but apportioning almost all spending to the states.

With 34% of national VMT occurring on locally owned roads, the current tax-and-spend system is fundamentally unfair to local government officials and directly contributes to poor conditions on the local roadways that every vehicle uses. Returning some Trust Fund resources to localities and their shared regions is both a fairer approach and a prudent response to the country's greatest maintenance needs.

2) Improve asset management systems.[14] Congress and state departments of transportation (DOTs) deserve enormous credit for the success of Transportation Asset Management Plans (TAMPs). Each plan must include the state's asset management objectives, measures, and targets for asset condition, with a particular focus on the national highway system. State DOTs must also include investment strategies—based on their analysis and asset management—that would support improving asset conditions and achieving performance targets and national goals. Since adopted in MAP-21, states are meeting those requirements and bringing more accountability to the overall investment process.

Congress will be able to stretch the reach of Trust Fund dollars if they expand what TAMPs cover. Expanding monitoring to all principal arterials will ensure state and federal officials have data on all major roadways—enhancing the likelihood they'll prioritize investment in roads irrespective of their owner. Federal law could also consider setting a ceiling on recommended roadway quality, which

[13] Tomer and Swedberg, 2024.
[14] Ibid.

could help spread spending to more roadway segments each year. Congress can reference innovations such as those in Maryland and Minnesota as lawmakers consider specific reforms.

3) Manage the tensions between efficiency and compliance. It's natural for people of every governing philosophy to apply their own distinct views to how the federal surface transportation program should operate. Those who are passionate about protecting against waste, fraud, and abuse will want to ensure programs have the appropriate safeguards and paperwork to match. Those concerned with long-term actuarial costs will want project selection to account for environmental risk exposure. Those who believe public spending should support domestic industries will want to add related elements to spending decisions. All these ancillary priorities can easily be defended, mostly because there is a moral position underpinning each.

However, lawmakers must be clear-eyed: Every additional compliance step creates a greater degree of friction on how quickly federal capital can be mobilized to support construction, procurement, and other essential activities. The issue is more pressing because the transportation industry has faced steep inflation over the past few years, which is already limiting the purchasing power of each public investment dollar. Federal lawmakers should closely monitor how much specific spending rules align with their ambitions for each formula spending program.

Conclusion

The United States has the capacity to keep investing enough in our surface transportation network to promote national economic competitiveness and security—and the Highway Trust Fund is a well-suited tool to channel investment dollars to where they will advance such national goals. Yet it would be a wasted opportunity if Congress did not couple considerations of new revenue with efforts to reform how the country measures need, who controls the funding, and the processes by which funding recipients comply with federal rules.