

# Bond Case Briefs

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## Expanding User Fees for Transportation: Roads and Beyond

### **Key Findings**

- Thanks to elevated deficits and interest rates, fiscal restraint is back in Washington.
- While substantially reversing America's fiscal situation requires structural reforms to entitlements and taxes broadly, reforming transportation funding would also help.
- The user-pays principle is a sound way to fund major infrastructure projects.
- Unfortunately, the US has moved away from the user-pays model, primarily due to the gas tax declining in real terms, but also due to excise taxes becoming weaker approximations of true user fees.
- By 2034, the gas tax and other car-related excise taxes are projected to raise less than half of the Highway Trust Fund's outlays.
- The ideal solution would be to replace existing excise taxes with true user fees, but raising existing excise taxes would be a better solution than continuing a growing reliance on general revenue.
- Fully paying for federal highway spending with user fees could reduce the federal deficit by over \$200 billion over the course of the next decade.

### **Introduction**

The United States faces several fiscal challenges. In 2025, the individual tax cuts passed in the Tax Cuts and Jobs Act are scheduled to expire.[1] Meanwhile, long-run deficits are projected to remain at an elevated level in coming years and decades, even with the tax cuts expiring. The long-term increases in the debt come from growing entitlement obligations to programs such as Social Security and Medicare.[2] To bring deficits under control, policymakers will have to consider substantial reforms to growing entitlement programs, and, likely, broad-based tax increases, ideally focused on consumption.[3]

To actually address long-term deficits, lawmakers will have to make difficult trade-offs. But in addition to structural changes to entitlement spending and major tax reforms, some deficit-reducing reforms can bring efficiency gains as well. One particularly salient example is transportation.

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### **Tax Foundation**

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