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Highway Shakedown: How Local Road Users are Subsidizing State Highway Investments

Executive summary

The axiom that “the user pays” is one of the central ideas to how the United States invests in its publicly owned roads. For decades, federal and state governments have charged road users—most notably through gasoline taxes—and then reinvested those revenues back into the transportation system. Policymakers then have the responsibility to match spending to physical need and relative contribution, particularly when state and local governments own different but interdependent portions of the national network. Such accountable spending is even more important for localities that don’t directly control the gas tax revenues.

Based on an assessment of national driving and spending patterns, it’s clear that local governments are not getting a fair deal. While locally owned roads host 34% of all vehicle miles traveled in the United States—generating a significant sum of tax revenue—states spend only 16% of their total disbursements on local roads, whether those are spent directly or by sub-awarding money to local governments. Meanwhile, congressionally approved formulas overly prioritize state discretion around which federal gas tax revenues will reach locally owned road networks.

It’s little surprise, then, that physical conditions on local roadways are significantly worse than state roadways. For example, 49% of locally owned principal arterial mileage—America’s major roadways—are in poor condition, compared to 7% of mileage on similar state-owned roads.

These funding disparities break the user-pay promise, but they can be addressed. Congress should adopt programming to directly allocate funds to localities and their regional partners. By our estimation, local governments can lay claim to $10 billion in annual federal funding simply as their portion of annual roadway distributions from the Highway Trust Fund. Such funding amounts could have profound effects on addressing America’s backlog of roadway maintenance and make every driving trip more reliable.

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