Road Blocks to Highway Progress

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America has the finest system of highways in the world. I believe that there are few in the audience who will disagree that the impact of highway transportation has been so great on our economy that it has become part and parcel of what we call the “American way of life.” It is for the preservation of this great highway system and the highway transportation using it that the National Highway Users Conference, of which I have the honor to be the Director, and the more than 1,000 state and local organizations in the State Highway Users Conferences, exist.

Recognition of the greatness of our American highway network, however, should not and cannot blind us to the fact that there are many critical deficiencies in our highways. Our common experience informs us of our many highway needs.

How are we to secure the highways suitable for the movement of modern traffic with safety, economy, and facility that the people of this nation want? I know of only one way. Wishful thinking, however, well-intentioned, will not construct highways. The finest blueprints cannot of themselves give us highways. Of course, these blueprints are essential as part of a sound highway program.

The way to get highways must necessarily be to pay for them. Generally, this means payment in the form of taxes—whether road-user taxes, federal-aid payments (which must come from taxes), or other taxes levied by state and local governments. In view of the great highway needs and in view of the heavy over-all burden of taxation, it is now, more than ever before, imperative that the tax contributions for highways should be on an equitable basis and the proceeds of these taxes should be expended efficiently and economically. Our objectives must be to get the optimum value for the 100 cents of our highway tax dollar.

It is my pleasure to discuss with you certain considerations which are fundamental to the equitable and sound financing of our highways. The first question is, Where should the highway dollar come from?

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personal, family and business activity; (2) the public interest or general welfare, as represented by the use of the roads in transacting public business, in national defense and war activity, in providing police and fire protection and access to schools, in aiding the conservation of the forests and other resources, in promoting commerce within and among the States, in providing employment during periods of depression, and in other activities of general benefit to the citizenry; and (3) the interest of the motor-vehicle user in the provision of facilities upon which the private automobile may be used in recreational, social and personal business activities, and upon which the commercial vehicle may be operated in gainful pursuits.¹

In view of these services, it would appear that the most logical basis of securing funds for highways would be in proportion to the benefits conferred on each of the classes of beneficiaries. This is the benefit theory of taxation which is generally accepted by students of highway transportation. It furnishes the cornerstone of our highway-financing structure. Unless a fair contribution is made by each class of beneficiaries, inadequate funds will result, or one class of beneficiaries will enjoy benefits at the expense of others.

HIGHWAY SYSTEMS

Our present highway system comprises 3,300,000 miles of roads and streets. Of this total, 3,000,000 miles are rural roads and 300,000 urban streets. Generally speaking, these roads may be classified into two principal types. First are the "general-use" roads, which are the main highways carrying the bulk of traffic. The second type might be termed the "land-service" roads, whose primary purpose is to give access to land. The general-use roads include the national system of interstate highways, most of the state primary systems, and a certain mileage of "feeder roads" connecting these systems. Of 3,000,000 miles of roads in the United States, it is estimated that 700,000 miles (less than one-fourth) carry 86% of the traffic. In fact, 40% of all motor vehicle travel moves over about 100,000 miles of highways.

The remainder of the 3,000,000 miles falls into the second class of highways along with the mileage of streets in the city residential and business neighborhoods. Roads of this type serve an important function, and it is to the interest of the public at large that they should be kept open and in good condition. While there is a considerable motor-vehicle interest in many of these roads, they are primarily of interest

¹ "Suggested Approaches to the Problem of Highway Taxation" by G. P. St. Clair, Chief, Division of Financial and Administrative Research, Public Roads Administration (September, 1947).
to the community at large and to the owners of the property served by them. They have always been necessary irrespective of the existence of the motor vehicle.

FINANCING

When the era of highway building began, these local roads and streets were built and supported primarily by local taxes, mainly property taxes. During the 1920's and 1930's, however, the burden was more and more shifted from the local taxing authorities to the states—and paid for out of gasoline and motor vehicle taxes. In 1921, only about 12% of the revenue contributed for all highways and streets was derived from taxes on highway users. Twenty years later, highway user taxes were carrying 51% of this load; and by 1947, this share had risen to 61%. Conversely, local governments furnished 73% of the revenue for all roads and streets in 1921; in 1947 they were contributing only 26%.

The motor vehicle owner's share of highway cost is paid in the form of special highway user taxes, particularly the gasoline tax and the registration or license tax. These special taxes have furnished an increasingly large amount of the total highway funds. In 1948, they exceeded two billion dollars (and this does not include more than a billion dollars in emergency federal automotive excise taxes).

Since these highway user taxes are levied in accordance with use, they generally furnish a fair measure of the benefits received by highway users. Implicit in their payment is the pledge that they will be used for highway purposes.

DIVERSION

Unfortunately, we find that large sums of these highway-user taxes are not used for the purposes for which collected but for purposes not at all connected with the highways. These non-highway uses for which highway funds have been diverted run from mosquito control to harbor improvements. From 1924 through 1947 (the last year for which figures are available), the diversion of state highway-user funds totaled $2,487,989,000. This includes the District of Columbia.

The use of highway taxes for non-highway purposes constitutes a measure of taxation that is applied without reference to the taxpayer's interest, benefits, or income. When highway-user taxes are diverted, the farmer living ten miles from town contributes ten times as much to the general expenses of government as the farmer who lives only one mile from town. The same inequality applies to the traveling salesman, the country doctor, and the many others who, in gaining their
daily livelihood, depend upon the motor vehicle. Diversion is a breach of faith and creates an inequitable and discriminatory tax burden.

But its practical consequences are equally objectionable. Highway construction and maintenance funds are lost. We miss out on highways we had hoped and paid for. Deterioration sets in when roads are not improved or properly maintained. Urban congestion grows worse. Sound, economical, long-range planning is thwarted. Costs of transportation of farm and manufactured products over the highways remain higher than necessary. Diversion of highway funds harms everyone who uses the highways or depends on them in any way.

As a result of diversions from 1934 to 1946, it has been estimated that 95,313 miles of state highways have been lost. These 95,000 miles of lost highways are one of the prices we have paid for diversion.

There are some who attack the earmarking of highway taxes for highway purposes. They say that all state taxes should go into the state's general treasury and then be appropriated out according to need. They would thus deny the validity of the benefit theory of taxation. They would ignore the fact that the highway user, through his payment of sales taxes, property taxes, and income taxes, already makes his fair contribution to general governmental expenses in the same way as every other citizen. They would ignore all consideration of equity.

If the reasons of equity and fairness underlying the benefit theory of taxation were not in themselves sufficient and persuasive, there is a practical rebuttal to these contrary arguments. It is that we would not even have the highway system we have today if diversion were to be condoned. The validity of earmarking is shown in the experience of those states where the integrity of highway revenues is not preserved and all taxes go into "one fund," that is, one general treasury. In five states (Delaware, Georgia, New Jersey, New York, and Rhode Island) highway-user revenues are not segregated but are placed in the state general fund, where they are available for highway as well as any other purposes that may be decided upon. This procedure of commingling funds makes it almost impossible to trace the disposition of highway revenues. The record of these states where the amounts diverted for the period 1942-1946 ranged from 13.2% to 49.4% of total highway revenues illustrates the "one fund" fallacy. In most of these states, there are critical highway deficiencies. And these states have been among the worst offenders in the practice of diversion. It would appear that segregation of highway revenues would supply a helpful influence in eliminating the existing hand-to-mouth financing in the "one fund" states.
Many states provide by statute that highway-user taxes shall be used only for highway purposes. Thus there is no serious diversion in these states. However, such a statute can be amended or repealed at any succeeding legislature. Statutory protection furnishes a frail reed in preserving the integrity of our highway funds.

Sad experience has shown that the only effective way to protect highway funds is by the adoption of an amendment to the state constitution. Twenty-one states have already added to their constitutions amendments restricting the use of highway funds to highway purposes. Only by the adoption of a properly drafted constitutional prohibition can there be secure safeguarding of highway-user revenues.

Even here highway users must maintain vigilance. Recently in Massachusetts, there has been an attempt to circumvent their anti-diversion constitutional amendment, which was adopted only at the last general election in 1948. This effort is the attempt to declare rapid-transit subways and elevated structures to be state highways and to take from the highway fund almost $2,000,000 annually for their maintenance.

DISPERSION

It is not enough to insist that highway-user taxes should be used solely for highway purposes. They must also be expended wisely, in accordance with the greatest highway needs. Here we are confronted with the problem of "dispersion." One form of dispersion is the use by local units of government of state-shared automotive-tax revenues for purposes which do not contribute to highway improvements. This has the effect of unfairly and inequitably shifting the general taxpayer's share of the over-all cost of public highways to motor-vehicle operators. Another form of dispersion is the expenditure of motor-vehicle-use taxes on projects which are not justified by traffic needs as determined factually through economic and engineering surveys or which do not fit into an orderly and sound improvement program. The construction of roads to standards higher or lower than are warranted by existing or anticipated traffic volumes is still another example of dispersion. In all cases the lack of sound highway planning and financing results in the improvident use of motor-vehicle-use taxes. Dispersion deprives the public of the facilities needed for maximum safety and economy in motor-vehicle use by dissipating the revenues specifically collected for meeting those needs.

This does not mean that all local sharing of highway revenues is dispersion. The character of use of many of our local roads entitles
them to financial support from state-highway-user funds. However, in all-too-many instances state aid has not been treated as a supplement but as a substitute for local effort. Instead of building better roads, local governments have spent their own funds for other purposes or have taken the opportunity to lower local taxes. As a result, highway-user tax funds are dissipated on roads where expenditures are not justified by traffic volume, while major traffic arteries are neglected.

One method of attacking this problem of dispersion is to have a highway study committee which can prepare a sound long-range highway program. Such a study, if properly carried out, can determine the most economical expenditure of highway funds, including the determination of the traffic character of the various roads and the benefits they render. In this way, the necessary facts can be secured upon which the benefit theory of taxation can be applied.

TOLL ROADS

There is another road block which is currently enjoying considerable promotion. That is the false temptation of toll roads. Toll roads are incompatible with our free public-highway system which has made highway transportation in this country great. They prevent the orderly and logical improvement of our federal-aid system. By Congressional mandate, federal-aid highway funds cannot be used on toll roads. They cost more money to construct because of higher capital costs and the overhead of toll collection and administration. They cost the user more since the customary one-cent-a-mile toll is equivalent to a fifteen-cents-a-gallon gasoline tax. Furthermore, once constructed, they must exist as toll roads for the many years that the bonds are outstanding or until the toll road is taken over by the state.

Actually the toll road is one of the symptoms of unsound fiscal policies. Were it not for the other fiscal abuses I have mentioned, adequate free roads could have already been built in locations where toll roads are sought.

At the present moment, we see a paradoxical situation in New Jersey. There is considerable agitation in New Jersey for a toll road, and initial enabling legislation has already been enacted. The ostensible excuse is that highway revenues are not available to construct adequate public highways. Yet from 1927 through 1946, there was diverted in New Jersey $139,838,000, and the present session of the New Jersey Legislature has approved the proposal to "borrow" $19,000,000 of highway funds for non-highway purposes. Here apparently is starvation in the midst of plenty.
CONCLUSION

There are other financial abuses which time does not permit discussing. There is much to be done in the improvement of our highway administration to secure maximum expenditure of the highway dollar. There is still much to be learned in the engineering phases of highway construction in order to avoid various classes of highway failure. Our objective, however, must be to get maximum value for our highway dollar. To do that there must be adoption of sound financing practices. Such practices require that: (1) all highway beneficiaries contribute their fair share of the cost in accordance with the benefits received; (2) highway-user tax funds must be used solely for highways, and the integrity of these funds must be protected by anti-diversion constitutional amendments; (3) highway funds must be expended wisely to secure the most-needed road construction; and (4) finally, the false temptation of toll roads must be spurned.