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## Funds for Highways Plummet As Drivers Cut Gasoline Use

By **CHRISTOPHER CONKEY**

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An unprecedented cutback in driving is slashing the funds available to rebuild the nation's aging highway system and expand mass-transit options, underscoring the economic impact of high gasoline prices. The resulting financial strain is touching off a political battle over government priorities in a new era of expensive oil.

A report to be released Monday by the Transportation Department shows that over the past seven months, Americans have reduced their driving by more than 40 billion miles. Because of high gasoline prices, they drove 3.7% fewer miles in May than they did a year earlier, the report says, more than double the 1.8% drop-off seen in April.



Associated Press

Before its collapse last year, the Interstate 35W bridge in Minneapolis was part of the one quarter of the nation's bridges that are considered either 'functionally obsolete' or 'structurally deficient.'

The cutback furthers many U.S. policy goals, such as reducing oil consumption and curbing emissions. But, coupled with a rapid shift away from gas-guzzling vehicles, it also means consumers are paying less in federal fuel taxes, which go largely to help finance highway and mass-transit systems. As a result, many such projects may have to be pared down or eliminated.

The challenge comes at a time when surging costs for asphalt and other construction materials already are straining state and local transportation budgets. Those cost increases make it more expensive to maintain the nation's roads, bridges and rail networks.

In many areas, the ragged edges are already showing. About 25% of bridges in the U.S. are either "functionally obsolete" or "structurally deficient," like the Mississippi River bridge that collapsed in Minneapolis last August, killing 13 people.

Moreover, the pavement is rated "not acceptable" on one of every seven miles of the nation's roads, according to the National Surface Transportation Policy and Revenue Study Commission, whose job is to assess infrastructure problems and recommend fixes.

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Overall, the commission estimated, \$225 billion a year is needed to meet the country's

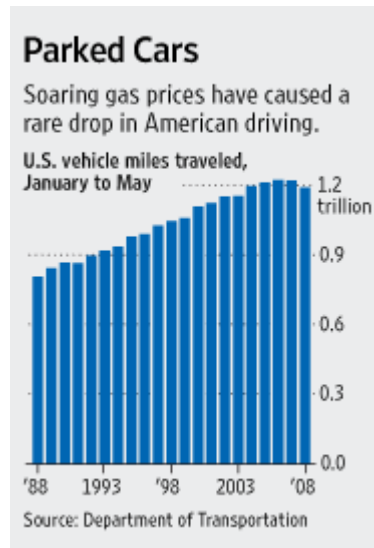
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transportation infrastructure needs. Current spending is about 40% of that level.

"We were losing ground to these incredible increases in construction costs, but then to see the erosion in driving -- it's a double whammy," said John Horsley, executive director of the American Association of State Highway and Transportation Officials. On top of the federal gasoline tax, currently 18.4 cents a gallon, the states charge their own gasoline taxes, which are typically slightly above the federal rate.



The Bush administration is expected to release as early as Monday figures projecting a deficit of \$5 billion or more in the Highway Trust Fund for next year. Thanks to steady increases in driving, since it was set up under President Dwight Eisenhower, the trust historically has run a surplus. It steers gasoline-tax revenue through a federal appropriations process before sending it back to the states.

The prospect of the highway fund running a big deficit has sparked a frenzy of lobbying on Capitol Hill, as business groups, ranging from the U.S. Chamber of Commerce to the National Stone, Sand & Gravel Association, have pressed lawmakers for a quick solution.

"We're going to spend a lot of time, money and effort on this," said U.S. Chamber of Commerce President Tom Donohue. "People need to understand that this infrastructure thing is not optional."

In recent weeks, Mr. Horsley's group has circulated a memo estimating that the states will lose a total of about \$14 billion and roughly 380,000 jobs if Congress doesn't act to shore up the fund soon.

On Wednesday, the House passed a bill targeting \$8 billion for highway and mass-transit projects. The measure has a good chance of clearing the Senate as well, despite White House reservations.

On Thursday, the House passed legislation that designates an additional \$1 billion for bridge repair. House and Senate leaders are talking about including a significant increase in infrastructure spending in a possible second economic-stimulus bill.

#### **Prelude to a Debate**

The moves are a prelude to a debate expected next year as Congress considers a new, six-year transportation bill that could authorize more than \$400 billion in spending.

Transportation Secretary Mary Peters said administration officials are crafting an overhaul plan aimed at shaping the debate. The goal would be to give states more flexibility to set transportation spending, while making it easier for them to tap private-sector dollars. Also under consideration: asking Congress to loosen restrictions on states levying new tolls on interstate highways.

A big question will be what to do about the Highway Trust Fund, which pays for the promises laid out in each transportation bill. Another quandary will be whether a greater share of transportation dollars should go to rail or other nonhighway options.

With consumers already recoiling from high prices, raising the federal gas tax isn't a politically viable option. In fact, debate in the presidential campaign this year has centered on whether to give consumers a gasoline-tax holiday, a step presumptive Republican nominee Sen. John McCain has endorsed.

Rep. Earl Blumenauer, an Oregon Democrat who is leading efforts to solve what he calls the "transportation funding crisis," is hoping the presidential candidates will offer their views at a summit this fall.

Sen. Barack Obama, the presumptive Democratic nominee, and other lawmakers have proposed a \$60 billion national infrastructure bank that would fund projects that could improve regional and national transportation, such as unclogging freight-rail bottlenecks in the Chicago area.

Consumers began tapping the brakes on driving in November, but by the spring, with gasoline prices hovering around \$4 a gallon, many were leaving their cars in the driveway. March, April and May marked the steepest three-month pullback on record, the new data show.

The pullback over that short period is approaching the periodic declines seen throughout the volatile 1970s, when an oil embargo and the Iranian revolution sparked long lines at gasoline station and two major oil shocks.

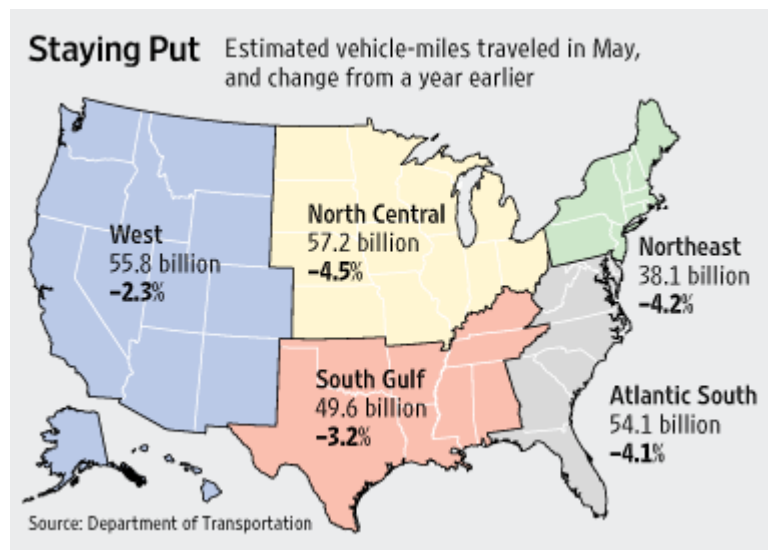
"In the past...we've seen driving bounce back pretty quickly," said Ms. Peters. "That is not the case now."

As debate revs up, the retreat from the roads shows how consumers are altering the transportation equation. With driving down, the number of people riding Amtrak has risen 11% this year, and mass-transit systems in many areas, including Seattle and South Florida, are experiencing ridership increases of 30% or more, according to the American Public Transit Association.

APTA President William Millar rides Washington's Metro rail each weekday between his home downtown and Falls Church, Va. He used to be able to find a seat at some point on his trip, but these days, he said, "I can't even squeeze onto the train" during the afternoon rush.

Earlier this year, the House passed legislation that would provide an additional \$1.7 billion to transit agencies over two years. Both chambers have passed bills that would significantly boost Amtrak funding.

The recent congressional action has raised some hopes. "I was ready until yesterday to have a list of projects to delay," said Larry L. "Butch" Brown, executive director of the Mississippi Department of Transportation, referring to the July 23 House vote to shore up the Highway Trust



Fund. But going forward, he added: "There's going to be one hell of a challenge to come."

### **Diverting Money**

Like many counterparts across the country, Mr. Brown is diverting money from new road improvement projects toward simple maintenance of existing roads. The most immediate challenge for states is ensuring Congress moves to bolster the trust fund so they don't have to further curtail plans -- and cut jobs. Mr. Brown said Mississippi stands to lose \$140 million and around 5,000 jobs.

Vermont Gov. Jim Douglas sent a letter to Congress last month saying the state would have to cancel numerous transportation projects that employ 1,600 people unless lawmakers shored up the trust fund.

Meanwhile, many consumers are rethinking their transportation options and drastically altering their travel patterns, forcing auto makers to overhaul their plans and straining the capacity of many transit systems.

Nancy Underwood, an administrator in Alexandria, Va., got rid of her gas-thirsty Ford Explorer in favor of a Honda Accord, which still cost her \$69 to fill up Sunday morning. She and her husband have nearly stopped their frequent trips to Richmond, and gasoline prices have even influenced her job situation.

"I took a job three blocks from my home" to save on gas and parking, even though "I could make more money" working in town, she said.

--Alicia Mundy contributed to this article.

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