Do roads pay for themselves

Business

Introduction Highway advocates have frequently claimed that roads cover nearly the full cost of highway construction. According to them, gasoline taxes and other charges to motorists are the main source of money for covering the full cost of the abovementioned construction and its further maintenance. The question is, " are highway advocates right or wrong when making such claims?" This research paper attempts to justify or refute the claims that roads pay for themselves.

Background of the Study For many years, supporters of the highway-centered system of transportation have told their own compelling and powerful story concerning the cost and maintenance of roads. The story of roads might be dated back to the time of Lieutenant Colonel Dwight Eisenhower, who went on a 62-day cross-country trip. The conditions experienced by Eisenhower seemed too familiar to the small and growing number of drivers, who cried for investments for good roads. As time went on, and vehicles became exceedingly popular, many people also clamored for the investment in better roads. Under the tenure of Eisenhower, the government took a critical step in raising money from federal gasoline tax to fund the largest public works project in the history of humans. The project was the Interstate Highway System.

During these old times, the Highway System brought remarkable mobility, prosperity and freedom to the land. In addition, the Highway System was paid for by those, who used it. The general taxpayers did not meaningfully contribute to their construction and maintenance. According to Delucchi (2007), this implied that the roads paid for themselves. Research Questions The study will deploy the following research question in order to meet its objective of affirming whether or not highways pay for themselves: Do roads pay for themselves? Significance of the Study This study will be significant by proving or refuting the claim that roads pay for themselves. The study will also raise awareness among the US citizens concerning the funding of roads.

By raising awareness, the embezzlement of state funds will be reduced. The public works sectors of the country will also benefit from the research, since it will provide various loopholes in the use of taxes in the construction and maintenance of roads. Literature Review In a rational world, any country would invest transportation projects, which pay for those investments in ways allocating the costs fairly across the society and guarantee the greatest benefits to citizens. Countries consider various ways, in which transportation investments harm or benefit businesses and individuals. Nevertheless, in the world of Interstate Highways, every mode of transportation is assumed to thrive on the money its users can provide.

This assumption implies that the road system can only survive on the money motorists can provide. The inability of motorists to provide any money will result in the collapse of these roads. This assumption also points out that all the money provided by motorists go to the road transportation mode, irrespective of where the greatest benefits can be attained. This research aims to dismantle this assumption, with the hope that by doing so, the US proceeds with the crucial debate concerning the infrastructure types of transportation the US can build. Gasoline Tax: Not a User Fee Highway supporters have always described gasoline taxes as “ user fees”, which is a term suggesting direct charges for services that should be spent specifically in highways. However, according to Delucchi (2007), gasoline taxes are not " user fees" as highway advocates claim.

Delucchi (2007) argues that the amount of money charged on motorists as gasoline taxes is only loosely associated with their use. In addition, in many states within the US, state gas taxes are not entirely extra charges paid by motorists, but instead supersede the sales tax of the state for fuel purchases. Therefore, this diverts money, which would have been injected into the general funds of the state, into separate ones that frequently benefit motorist. Firstly, it is important to distinguish user fees from other payments. According to American Association of State Highway and Transportation Officials (2006), user fees are frequently charged for the use of government resources or admission to state facilities.

An example fee is entrance charges to state parks or charges for grazing federal land. According to Dutzik, Davis and Baxandall (2011), user fees are usually applied for permitting or licensing. In other words, user fees might be charged on industries to settle the cost of government regulation. In most of these scenarios, it is apparent who is the user of a given government service. In some scenarios, the user of the given government service is not only the beneficiary of the service, since the public also benefits. When it comes to the case of roads, the question as to who is exactly the user astonishes.

According to Ferguson (2007) and Garvin (2002), considering anyone, who drives on the road anywhere within the country as the user, might make it fair to refer to gasoline taxes as user fees. This is because it implies that every individual using or driving on the road should pay gas tax. Ferguson (2007) adds that this appears simple enough, since users are clearly defined. However, considering gasoline tax as the user fee comes along with the problem of unfairness. Motorists, who use vehicles that economize fuel, pay extremely into the transport system than those, who use vehicles that guzzle fuel.

This is because the collection system depends on fuel sales, but not the mileage driven. From this perspective, motorists, using vehcles that economize fuels, contribute little to the maintenance of highways. On the other hand, motorists, using vehicles that guzzle fuel, pay more than their counterpart motorists. The argument concerning " user fee" breaks down in a more elementary manner. The understanding meant in considering gasoline tax as user fees is that the money motorists pay in gasoline taxes will be used to pay for the usage of the road.

Nevertheless, according to Gutfreund (2004) and Manning (2010), this has never been the scenario in practice. For instance, the Interstate Highway System was built largely by using gasoline taxes charged to motorists on other roads. In addition, the direct association between the benefits of user and user fees, which is a characteristic of true " user fees", is almost not a possible standard to meet in relation to highways. In general, from the view of individual motorists, there is not a clear relationship between the fees one pays and one uses of the road transport system. Federal Gas Tax Advocates of Highway frequently begin their history of the federal gasoline tax in 1956.

The Federal Aid Highway Act was enacted during this year. The Act created the Interstate Highway system that was funded by the Highway Revenue Act of the same year. Parry, Walls and Harrington (2007), as well as Parry (2002) support that the federal gas tax should be channeled towards funding the interstate system, as the intention during the creation of the federal gas tax. The proposition of the creation of the federal gas tax in 1932 was not to raise funds for roads, but to pay for the federal deficit (Delucchi, 2007). For the forthcoming 24 years, federal gasoline taxes were deposited into the general fund.

The Federal Highway Administration has maintained that taxes on automobile products and motor fuels were in existent, and they were not associated to financing the highway system. Sullivan (2005) and Parry (2002) have argued that at the moment, funds for the highway program from automobile and associated products were incorporated under the principle of public finance. The principle points out that the state should spend where it must and get finances where it can. The 1956 acts diverted the gas tax of two cents, which had initially financed the general operations of the government, to the new Highway Trust Fund and added an extra amount, which was also deposited in the fund. According to Manning (2010) and Ferguson (2007), the era of highways was only a simple blip in the history of federal gas tax.

The last two substantial increases in the federal gasoline tax in 1990 and 1993 were aimed towards the deficit reduction that was the initial objective of the federal gasoline tax. The U. S. Department of Transportation (2010) also believes that there are enough evidences to think that the Congress did not aim at linking the highway expenditure and the gas tax permanently in passing the 1956 Act. In fact, according to American Association of State Highway and Transportation Officials (2006), the Highway Revenue Act of 1956 devoted the federal gasoline tax to Highway Trust Fund overtly until 1972. In other words, the financing of the roads was not the original objective of the federal gas tax, when it was adopted in 1932.

The Congress has never promised that federal gas tax would permanently be devoted to maintaining and constructing roads. Moreover, exclusive dedication of federal gas taxes has never been a historical norm. State Gas Taxes Highway advocates have stood on a rather stronger historical ground by affirming that state gasoline taxes have been dedicated to highways. In fact, Ferguson (2007) and Delucchi (2007) also affirm that the need to raise funds for the expansion of roads was the stated rationale for the adoption of most of the gasoline taxes. The first state gasoline tax that was legislatively devoted to improving highways system was adopted in 1919.

By the time of adoption of the federal gasoline tax in 1932, each state had introduced a gasoline tax. Many states have trailed in the footsteps of Oregon by adopting constitutional or statutory limitations that require gas tax revenue to be devoted on highway improvements. However, there are many states that do not dedicate the revenue of gas tax to improving roads. In some of states like New York, Maryland and Wisconsin, gasoline taxes are used for various purposes of transportation. Some other states deposit the gasoline tax revenue into the general fund.

One such state is Texas, which dedicates a significant part of the gas tax to a public education. The greatest question in relation to these dedications of gas tax revenue is whether decisions made by policy makers in another era should have an effect today. According to the U. S. Department of Transportation (2010), in many states, the constitutional allocation of gasoline tax revenues dates back to more than three-quarters a century. American Association of State Highway and Transportation Officials (2006) cite that these decisions came at a time, when the US was essentially a different nation.

The portion of Americans living in Metropolitan cities increased from 28 to 80 percent between 1910 and 2000. In fast suburbanizing and urbanizing states, the being of these constitutional provisions that are difficult to undo paralyze the government, since it considers the most efficient means of providing transportation. For instance, the 2004 court ruling in New Hampshire barred the state from utilizing gasoline tax revenue, which is dedicated to the improvement of roads constitutionally. The restraints on the ability of lawmakers to bestow tax revenue to the most crucial public priorities are frequently opposed by public policy experts. In general, negotiation, in relation to the earmarking of societal responsibilities and resources, is an oongoing process.

As much as some principles seem eternal, such as freedom of speech, movement and religion, the allocation of gas tax revenue to the improvement of roads is none of them. Research Methods The research methods section is a critical part of the study, since it highlights the necessary information required to assess the validity and reliability of the research. Therefore, faceting a defined description of the research methodology and its conformable underlying principle are extremely significant in affirming the validity of this research. Research methods are determined by the context of the research and research questions. Research Design Research design is a general plan that outlines the necessary steps in answering the research questions and meeting the objectives of the study. According to Dutzik, Davis and Baxandall (2011), research design has a precise goal drawn from research objectives and specifies the sources of data collection.

Research design can take the form of quantitative, qualitative design or both. Qualitative design uses the assessment and analysis of the qualitative data with the aim of answering research questions. Quantitative design involves collecting and analyzing the quantifiable data to draw conclusions. This study uses secondary sources of data and deploys both qualitative and quantitative design. This implies that the study will analyze the quantitative and qualitative data from journal articles and websites that contain the necessary information. The use of both qualitative and quantitative design will ensure a comprehensive data analysis.

Data Collection The collection of data is crucial for any research, because it influences the success of research by offering channels for inferring the conclusions. This research significantly used the descriptive and statistical data, since it utilized the probabilistic approach in analyzing if roads pay for themselves. There are two main forms of data: primary and secondary data. Primary data is gathered by the research via direct contact with the respondents. On the other hand, secondary data is collected by the researcher from other researchers, who studied the similar aspects of the research in questions.

As it was aforementioned, this study deploys secondary data in answering the study question. The advantage of secondary data is that they are extremely easy to collect. It is also easy to draw up conclusions from secondary data. The major disadvantage of secondary data concerns its reliability. Unreliable data from secondary sources might negatively influence the outcomes of the study. Research Findings and Discussions This section provides the outcomes of the study.

The outcomes are presented using graphs. The study revealed that roads do not pay for themselves. From this perspective, the study discovered that roads are one of the most successful programs of the government in America. In fact, they are used for extremely valuable purposes. Historically, according to American Association of State Highway and Transportation Officials (2006), roads have not paid for themselves. The figure below shows the cumulative net difference between the expenditure on highways and user revenues of highway users from 1947 to 2007.

From the figure it is apparent that the net cumulative subsidy to highways and has been increasing from 1956 to 1992. The subsidy stagnated for a while before experiencing a steady increase from 1998 to 2007 (Dutzik, Davis, & Baxandall, 2011). The study also revealed that there are various sources of revenue that finance the maintenance of roads. These sources of revenue include user revenue, bond revenue and non-user revenue. The diagram below shows the fluctuations of these sources of revenue from 1957 to 2005.

It can be seen on the figure that user revenue has experienced fluctuations with decreases between 1965 and 1981 (Dutzik, Davis & Baxandall, 2011). Gasoline taxes and other charges on motorists are not anywhere close to financing the cost of construction and maintenance of the American roads. If an individual compares the expenditure on highways on all government levels, it is apparent that American roads do not pay for themselves. Since 1947, the government’s spending on roads has gone beyond the amount of money collected in vehicle tolls and taxes, as well as gasoline taxes. According to Ferguson (2007), a significant amount net subsidy of highways has come from local spending on secondary roads and streets that are hugely paid for from general tax revenue and property tax.

For instance, the increase in the net subsidy of highways from 2001 might have resulted from the spending of 31 billion dollars by local government. This amount, according to ROOO, was raised from general fund revenues, property taxes and assessment taxes. This clearly refutes the fact that roads pay for themselves. Conclusions It is apparent that roads have never paid for themselves. In a rational world, any country would invest transportation projects, which pay for those investments in ways allocating the costs fairly across the society and guarantee the greatest benefits to citizens.

Gasoline taxes are not “ user fees” as highway advocates claim. The amount of money, which is charged on motorists as gasoline taxes, is only loosely associated with their use. There are many states that do not dedicate the revenue of gas tax to improving roads. In a fast suburbanizing and urbanizing states, the being of these constitutional provisions that are difficult to undo paralyze the government, since it considers the most efficient means of providing transportation. In general, gasoline taxes and other charges on motorists are not anywhere close to financing the cost of construction and maintenance of the American roads.