ENERGY FACTS


# **Don't Drill and Drive:** Expanding Oil and Gas Drilling to Boost Transportation Funding Doesn't Add Up

There appears to be bipartisan support in Congress for reauthorizing surface transportation legislation in the coming year, however a major roadblock remains: Finding a way to pay for the infrastructure improvements that America so badly needs. The current tax on gasoline purchases cannot fully cover the costs of repairing and upgrading—let alone expanding—our country's vast network of bridges, roads and mass transit systems. Failing to efficiently move people and products around the country hurts America's economy and costs all of us time, money and patience. Recently, Republican leaders in Congress proposed filling the revenue hole in the Highway Trust Fund by using royalty fees from new oil and gas drilling. Linking the highway bill to expanded domestic energy production is not a sensible way to meet the nation's transportation needs.

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## REPUBLICAN HIGHWAY BILL A PLOY TO "DRILL, BABY, DRILL"

Our nation's road and rail system is old and worn out. Right now, the biggest source of funding to fix that infrastructure is the federal gas tax. The 18.4 cents per gallon user fee, which was last increased in 1993, is not likely to be raised in the current political climate. As a result, the $50 billion-plus annual shortfall in transportation revenues continues to grow, with the Congressional Budget Office estimating that the Highway Trust Fund could be insolvent by 2013.

But using oil and gas revenues for highways isn't a sensible way to address the problem. Here's why Congress should reject the GOP's "drill to drive" scheme:

- Oil and gas royalties represent the largest source of federal revenues after taxes, with companies paying $6 billion to the government last year. Under the Republican proposal, the flow of potential new royalties would be diverted away from the U.S. Treasury to fund transportation. That lost revenue will just have to be made up somewhere else or it will increase the deficit.
- Even with new royalties, those drilling revenues would be a drop in the bucket toward the $1.7 trillion that the American Society of Civil Engineers estimates is needed between now and 2020 to rebuild transportation systems that are reaching the ends of their life cycles. A report last year led by former federal transportation secretaries called for a $262 billion annual investment—an amount far in excess of the billion dollars or so in annual revenue that could be generated by new drilling.
- The promise of more royalties from expanded energy production provides needless incentive to drill untouched areas at a time when oil and gas companies have a huge amount of unused leases on already developed land in the United States that they are choosing not to drill. If new fossil fuel development must occur, companies should be required to first tap the areas that are already damaged by industrial development before opening more of America's wildest lands and coastal waters—and special places such as Alaska's Arctic National Wildlife Refuge—to energy development.

- Funding to pay for transportation is needed immediately. But even assuming that more drilling were allowed it would take several years before any resulting oil and gas royalties would start flowing.
- Drilling for transportation funding runs counter to the way oil revenues have been used when they have not just gone into the general fund. Historically, these revenues have been put to uses—like the Land and Water Conservation Fund—to mitigate environmental damage from drilling. Even conservatives in the past have proposed uses like renewable energy research and conservation that are designed to eventually reduce the use of oil. Using the royalty fees to pay for highways would only fuel the demand for more drilling and worsen our addiction to oil.
- Philosophically, tying drilling to transportation flies in the face of the tried-and-true "user pays" principle that has governed transportation funding for decades. President Ronald Reagan touted this very principle in his successful effort to secure a five-cent per gallon gas tax increase in the early 1980s. Shifting from "user pays" to "taxpayer pays" would result in infrastructure expenditures being constrained by budget considerations and governed by political preferences.
- Oil and gas drilling is polluting air and water across the United States, and generating enormous amounts of toxic waste. Industry currently enjoys gaping loopholes from important federal environmental safeguards. Regulations are not nearly strong enough at the state or federal level, and enforcement is much too weak. New drilling promises more problems, not solutions.

If congressional Republicans are really serious about forcing the oil and gas industry to help foot America's transportation bill they should favor cutting federal fossil fuel subsidies—and redirect the savings to invest in infrastructure. After all, tax breaks and loopholes for Big Oil will cost the federal treasury tens of billions over the next decade.