A blue ribbon panel in West Virginia said this week the state needs an additional $1.13 billion to $1.28 billion a year to build and maintain the state’s road system. They’ll take the month of June to assess the possible revenue options at a series of public hearings. There are also reports this week on a number of states facing disappointment on the transportation revenue front or still hoping to get something done in the waning days of legislative sessions.

All Options On the Table in West Virginia

The West Virginia Blue Ribbon Commission on Highways agreed this week on the price tag for maintaining and enhancing the state’s road system but a specific plan to raise additional revenues will have to wait for a series of six statewide public hearings next month, The Charleston Gazette reported. Commission members decided to keep all funding options on the table for the hearings rather than to assemble a combination of tax and fee increases to submit for public comment. Among the proposals under discussion to fund road construction:

- Increasing the sales tax from 6 percent to 7 percent, with the increases dedicated to the state road fund to raise an additional $200 million annually.
- Increasing vehicle registration and titling fees to raise $37.2 million annually.
- Increasing the cigarette tax by 50 cents a pack, with the increase dedicated to the road fund, for $37 million more.
- Increasing the excise tax on diesel fuel to raise $14.5 million.
- Adding a special $200 registration fee for alternative fuel vehicles, which would raise $1.1 million.

But even if all of those proposals were approved, combined they would only increase transportation revenues by $419.8 million a year—less than half of what the commission says the state needs.

Following the public hearings next month, the Blue Ribbon Commission, which is made up of state and local officials, members of constituency groups and citizens, is expected to submit its final recommendations to the governor by July 1.

State Transportation Revenue Updates

- **District of Columbia:** The District’s 2014 $12.1 billion budget plan approved this week by the D.C. Council eliminates the city’s 23.5-cents-a-gallon gas tax and replaces it with an 8.3 percent tax on wholesale gasoline and diesel purchases, The Washington Post reported.
- **Michigan:** Gov. Rick Snyder and the Republican majority in the Legislature have reached a budget agreement that will put an unexpected budget surplus toward funding roads and K-12 education, The Lansing State Journal reported. The plan will provide an additional $350 million for the state’s roads and bridges. An editorial in The Detroit News this week argued in favor of committing the surplus thusly: “For the past decade and longer Michigan's road repairs have been underfunded and the condition of the infrastructure is now dire. In fact, it's so bad that a Legislature-funded study concluded Michigan must spend an added $1.6 billion a year to keep up with deterioration. A
number of proposals from the governor to find a sustainable funding source to fix Michigan roads has met with strong opposition from lawmakers, including those in his own party. Lawmakers have no appetite for raising the fuel tax, car registration fee or sales tax to pay for repairs.” The editorial goes on to say that while using the surplus for transportation would be a stopgap measure, it would buy time to come up with a more permanent funding solution.

- **Minnesota:** A proposed five-cent gas tax increase and a Twin Cities sales tax for mass transit were nearly revived [7] at the 11th hour but both failed to get across the finish line before the legislature adjourned their 2013 session, *The Star Tribune reported* [8]. *Minnesota Public Radio News* [9] also took a look at the implications of no new revenues for transit this year.

- **Missouri:** A bill to let voters decide in a November 2014 ballot referendum on a one-cent sales tax to fund transportation didn’t make it out of the legislature before lawmakers adjourned their session last week, *the Associated Press reported* [10]. The sales tax would have generated nearly $8 billion over a decade. The bill’s House sponsor, Rep. Dave Hinson, blamed critics who saw the measure as a tax increase instead of a referral to voters. Missouri’s Constitution requires a public vote on tax increases over $70 million. Missouri is one of the states highlighted in my upcoming Capitol Research brief on Transportation Funding Commissions.

- **New Jersey:** Sen. Jim Whelan, who introduced a proposal earlier this year which would have charged motorists based on the number of miles traveled, has decided to scale back his plan to include only alternative fuel vehicles, *The Star Ledger reported* [11] this week. His amended plan proposes that owners of green energy vehicles pay a flat fee of around $50 as their fair share for upkeep of the state’s roads. The Senator’s previous proposal would have had vehicle owners paying 0.83906 cents per mile or about $167.81 annually for those who drive 20,000 miles during the course of a year. New Jersey's gas tax of 10.5 cents per gallon is the third-lowest in the country.

- **Oregon:** The House Revenue Committee last week approved legislation (HB 2453 [12]) that would require drivers of vehicles getting at least 55 miles per gallon to pay a 1.55 cent tax per mile after 2015 or a $542.50 flat fee annually, *The Statesman Journal reported* [13]. The bill advanced to a joint budget committee. A task force created by lawmakers in 2011 has been looking to create a new mileage-based revenue system to offset declining gas tax revenues. The state’s most recent pilot project to test a per-mile charge allowed participants to choose between reporting miles using a smartphone application, GPS, or a reporting device without GPS. A revenue impact statement [14] on the bill said the cost of collecting the new tax would outweigh the amount of revenue collected for the first biennium but the state would earn a profit beginning with the 2017-19 biennium.

- **South Carolina:** Legislative leaders are skeptical that a bill to increase revenues for transportation will make it onto the agenda in the waning weeks of the 2013 session, reports Tim Smith of *The Greenville News*. Gov. Nikki Haley and Senate leaders are still hoping to tackle an ethics reform measure, which could leave little time for the roads bill. The House passed a bill last month to shift about $80 million a year from the sales tax on vehicles to the South Carolina Department of Transportation (it currently goes to education) and to spend $60 million from next year’s budget on bridge repairs. A special Senate committee has proposed a package that would borrow $1.3 billion, index the gas tax to inflation and raise driver’s license and registration fees to put toward the state’s $29 billion, 20-year transportation shortfall. Fiscal conservatives don’t like the plan however and some want to use surplus revenues or a percentage of the budget for transportation needs. Haley has told lawmakers she is opposed to any plan that includes a gas tax increase. South Carolina is another of the five states featured in my upcoming Capitol Research brief on Transportation Funding Commissions.

- **Texas:** An editorial in *The Dallas Morning News* [16] this week says a budget deal will shortchange the state’s transportation needs, dashing earlier hopes that substantial new revenues would be approved this session in the Lone Star State and ensuring that lawmakers will kick the can down the road once again. TxDOT Executive Director Phil Wilson told lawmakers in January that it would take at least $4 billion more each year—$3 billion to add capacity and $1 billion for repairing existing roads—to keep pace with the state’s transportation needs. “Here’s how badly lawmakers fell short,”
reads the editorial. “The budget deal announced last week would put $900 million into roadways over the next two years. $500 million of which would go to projects in the oil patch, where trucks are taking a heavy toll. That leaves $400 million in new money—about the cost of two freeway interchanges—to be spread around statewide for non-oilfield projects.” The editorial notes that lawmakers filed more than 75 bills to raise new money during the legislative session but a no-new-taxes pledge and veto threat from Gov. Rick Perry derailed everything, including a proposed increase in the vehicle registration fee, which would have been the first in Texas since 1985.

**Vermont:** Ryan Holeywell of Governing magazine had a piece recently dissecting “How Vermont Raised Its Gas Tax.” Richard Watts, assistant Research Professor at the University of Vermont’s Transportation Research Center, tells Holeywell there were three reasons the tax hike was successful: it was tied to an obvious need, the legislative process moved quickly and it had support from state leadership. The state’s transportation revenue needs were laid out, Holeywell notes, in the final report of the Section 40 Committee on Transportation Funding, issued in January. The panel concluded that there was a $240 million annual gap between state spending on transportation and what the system actually needs. I look at that committee’s report and the work of four others around the country in an upcoming Capitol Research brief that will be available here soon.

**Washington:** Gov. Jay Inslee has signed an $8.7 billion transportation budget which continues spending for some big-ticket projects, the Associated Press reported. But the Governor vetoed a controversial proposal to spend $81 million planning a replacement for the I-5 Columbia River Crossing because a transportation revenue package hasn’t come together yet. Lawmakers are continuing to meet in a 30-day Special Session for a second week to address a budget deficit, a court-ordered increase in education funding, and possibly a transportation revenue bill. House Democrats want to raise the gas tax by 10 cents per gallon over 12 years, increase freight and vehicle registration fees and give counties the authority to impose local transit taxes or seek voter approval for them. But their $8.4 billion plan has faced opposition in the Senate. The News Tribune reported this week that some Republican state lawmakers joined a rally in support of new transportation revenues.

**Additional Reading**

- The State Smart Transportation Initiative surveyed the trends in transportation funding in a recent piece.
- USA Today’s editorial board opposes the mileage-based user fee concept saying with Oregon’s test of such an idea “the state has engineered a complex bureaucratic system that accomplishes little that a gasoline tax doesn’t.” Oregon Congressman Earl Blumenauer meanwhile calls it “the most promising mechanism for funding the transportation demands of today and, especially, tomorrow.” Blumenauer has developed legislation to extend the Oregon VMT pilot project to other states.
- The Florida Metropolitan Planning Organization Advisory Council is asking the Florida Transportation Commission to study the prospect of moving residents from a fuel tax to a mileage tax, The Seminole Chronicle reported. Recently. A two-year study by the MPO showed that Florida faces a $74 billion shortfall in transportation funds. If it agrees with the study, the FTC would pass along its recommendations to the governor and legislature.
- The Urban Land Institute’s new report “Infrastructure 2013: Global Priorities, Global Insights” says that state and local governments now account for 75 percent of total spending on infrastructure, a number that may only increase with continuing uncertainty about the federal transportation program and the solvency of the Highway Trust Fund.
- Consumer Reports recently asked their Facebook fans to weigh in on whether electric cars should be taxed to ensure their drivers pay their fair share to maintain roads and got some interesting answers.

By:
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