

Commonwealth of Kentucky

STATE SENATE

6TH LEGISLATIVE DISTRICT

9 East Center Street
Madisonville, KY 42431
(270) 825-1490
Fax: (270) 821-8512
jerry@rhoadsandrhoads.com



STATE CAPITOL ANNEX

Frankfort, KY 40601
(502) 564-2470
Fax: (502) 564-6151
jerry.rhoads@lrc.ky.gov

JERRY P. RHOADS
SENATE DEMOCRATIC WHIP

THE COUNCIL OF STATE GOVERNMENTS CSG TRANSPORTATION PUBLIC POLICY COMMITTEE

"PLANNING FOR THE FUTURE IN UNCERTAIN TIMES" THE KENTUCKY EXPERIENCE

AUGUST 10, 2014 – 10:00 A.M. – NOON

*A. KENTUCKY ROAD FUNDING STRUCTURE

1. Federal Funds – 47% (approx. \$700 million).
2. State Funds – 53% (approx. \$800 million):
 - a. motor fuels tax – 56%
 - b. property tax – 28%
 - c. vehicle licensing fees – 7%
 - d. operator's license fees – 1%
 - e. commercial weight distance taxes – 5%
 - f. other sources – 3%

*Total Transportation Budget: Federal 30.7%; State 63%; General Funds 0.3%; Restricted Funds 6%

B. MOTOR FUELS TAX

1. Statutory floor (currently \$178.6) and statutory ceiling (currently \$289.7---"floating" ceiling is 10% over average wholesale price (AWP) for 4th qtr. of previous year); created in 1980's.

2. Indexed to AWP (set on 1st month of each quarter) – currently \$310-\$320, but drops to ceiling.
3. Kentucky is one of five states that indexes fuels tax.
4. Kentucky fuels tax – mid pack compared to other states.

C. CURRENT REALITY – FUNDING HAS LAGGED BEHIND NEEDS

1. Improvements in vehicle fuel efficiency.
2. Static gas tax rates (Federal & State).
3. Backlog of road/bridge needs.
4. Many transportation projects delayed or not undertaken.
5. Kentucky will be unable financially to meet transportation infrastructure needs if no steps are taken to address current revenue trends.

D. MAJOR TRANSPORTATION INFRASTRUCTURE NEEDS

1. I-65, I-71, I-75, I-64, I-69 – all run through Kentucky from north via bridge(s) which need to be replaced.
2. Substandard state-maintained bridges – nation as a whole – 19.4% - Ky. 29%.
3. How do we pay for needs?
 - a. Background:
 - i. Kentucky is rural state – 4 million pop.; interstate bridges enter urban areas with history of Federal funding and no tolls.
 - ii. Parkways in western and eastern Kentucky built to Federal standards with state funding and tolling; citizens in eastern and western Kentucky accustomed to tolls.
 - iii. Citizens in urban areas not accustomed to and opposed to tolling.

b. Options for funding:

- i. Modifying current tax structures (not much appetite shown at Federal or State level – Federal 18.4% since 1993; if indexed it would be about 30%); Highway Trust Fund Bill passed through May, 2014 – still at 18.4%.
- ii. Tolling – heated debate in Louisville (but tolls approved) over new bridges (\$1.3 billion each Kentucky and Indiana for downtown and east-end bridges – construction underway); opposition in North Kentucky for tolls to build I-71/75 bridge – (\$2.5 billion).
- iii. Public-private partnerships – opposed by citizens in North Kentucky; Legislature passed HB 407 in Jan., 2014 session creating authority to use P3s for public infrastructure; vetoed by Gov. Beshear: 1) Ky. law already authorizes partnerships with private sector for capital projects; 2) HB 407 would prohibit P3 agreements with the State of Ohio without legislative review and approval (would prohibit use of tolls to replace I-71/75 bridge).

E. WHAT NEXT

1. Kentucky can become bottleneck in north/south travel, particularly for transports using Federal highway system in that area.
2. Kentucky debate mirrors Federal debate and choices of other states.
3. Thoughtful/constructive discussion should continue.