

CAPITOL RESEARCH

● ● ● TRANSPORTATION POLICY

STATE TRANSPORTATION FUNDING TRENDS 2017

Since 2013, odd-number years have seen a significant number of states seek new revenues for transportation.

- In 2013, six states approved transportation funding measures that included gas tax increases.
- In 2015, 11 states either increased gas taxes or adjusted them to prevent steeper reductions in revenue.
- 2016 saw one state—New Jersey—increase its gas tax.

2017 has been no exception. Through mid-July, seven states have raised gas taxes as part of transportation funding measures.

- In April, California Gov. Jerry Brown signed into law Senate Bill 1, a \$52 billion plan to repair roads and bridges. The state will raise its base excise tax on gasoline by 12 cents starting in November. The state's price-based excise tax will increase by 8 cents starting in 2019. The base diesel fuel excise tax will increase 20 cents in November 2017. The 1.75 percent diesel fuel sales tax will increase to 5.75 percent. The combined gasoline excise tax and the base diesel fuel excise tax will be adjusted for inflation beginning in 2020. Californians will pay a new "transportation improvement fee" that will range from \$25 to \$175 depending on the value of the vehicle. That fee will also be adjusted for inflation in 2020. A new "road improvement fee" of \$100 will be charged for zero emission vehicles starting in 2020 with indexing starting in 2021.¹
- Indiana will raise its gas tax in two steps with a 5-cent increase in July 2017 and another one in July 2018. The diesel tax will go up by 6 cents in two steps. Both will be subject to annual inflation index increases of up to a penny a gallon for six years starting in 2019. Indiana lawmakers also increased various registration fees, including a 50 percent increase in the decal fee for alternative fuel vehicles. In addition, Indiana added a \$150 supplemental registration fee on electric vehicles and a \$75 fee for alternative fuel vehicles. They also raised the fee on the sale of new vehicle tires. The aviation fuel tax is going up by 10 cents a gallon as well. Also, the legislation allows the Indiana



Department of Transportation with the governor's approval to seek a federal waiver to toll interstate highways and provides for a tolling feasibility study.²

- Montana approved a 6-cent gas tax increase and a 2-cent diesel tax increase phased in over six years. Lawmakers increased the vehicle registration fee and put in a new tax on cars and recreational vehicles worth more than \$150,000.³
- In early July, Oregon lawmakers passed House Bill 2017, which will raise the gas tax by 4 cents in 2018 and gradually add another 6 cents. The package also includes an increase in vehicle fees and a new tax of 0.5 percent on new vehicle sales. A 0.1 percent statewide payroll tax will be used to fund transit improvements. Bicycle and pedestrian paths will be funded in part by a \$15 fee on the sale of adult bicycles that cost at least \$200.⁴
- In South Carolina, the Legislature overrode the veto of the governor to enact a 12-cent gas tax increase that will be phased in over six years in 2-cent increments. The measure will also raise fees on driver's licenses and vehicle registrations, increase vehicle sales taxes, and set a new one-time

fee for vehicles purchased out of state and later registered in South Carolina. There are new fees on electric or hydrogen-powered vehicles and new fees on hybrids as well. And there is a new “road use fee” on large commercial vehicles beginning in 2019.⁵

- Tennessee will phase in its 6-cent gas tax increase and 10-cent diesel tax increase over three years. The state will increase vehicle registration and other fees as well. Tennessee’s legislation also cuts grocery sales taxes and business taxes on manufacturers.⁶
- During a special session in June, the West Virginia state Legislature agreed to an increase in the variable minimum wholesale gas tax of 3.5 cents a gallon, a vehicle sales tax increase from 5 to 6 percent and an increase in the annual vehicle registration fee from \$30 to \$50. The changes are expected to raise more than \$100 million annually.⁷ Separately, lawmakers approved a bill to increase tolls and tolling authority.⁸ Voters will be asked to decide in a special election referendum later this year whether to authorize the sale of up to \$1.6 billion in bonds to support the road reconstruction program.⁹
- The American Road and Transportation Builders Association, or ARTBA, reported that through the end of May, 42 bills that included a motor fuel tax increase had been introduced in 21 states this year.¹⁰
- ARTBA estimates that statewide funding for transportation approved legislatively in 2017 exceeds \$59 billion.¹¹

Other states have approved bonding or one-time transportation funding this year.

- Idaho will use \$52 million from a budget surplus for emergency road funding.¹² The state will borrow against future federal highway allocations to do \$300 million in Grant Anticipation Revenue Vehicle, or GARVEE, bonding. Lawmakers also created a new Transportation Expansion and Congestion Mitigation Fund by rerouting 1 percent of the state sales tax and cigarette taxes currently being directed to the Idaho Transportation Department’s strategic initiatives program.¹³
- In May, Minnesota lawmakers approved a \$988 million bonding bill that will provide \$255 million for transportation. Gov. Mark Dayton and Republican leaders also agreed to use \$300 million of the state’s \$1.65 billion budget surplus on road and bridge projects.¹⁴

States have also moved to try to capture transportation revenues from drivers who buy little or no gasoline.

- More than 25 states have considered increasing fees on electric, hybrid and other vehicles powered

by alternative fuels.¹⁵

- California, Indiana, Michigan, Minnesota,¹⁶ Oklahoma,¹⁷ Tennessee¹⁸ and West Virginia approved annual registration fees for such vehicles this year. South Carolina enacted a biennial fee for electric cars.¹⁹ Oregon’s transportation legislation phases in additional fees for registering and titling electric cars but they won’t take effect until 2020 when the state anticipates that more electric vehicles will be on the road.²⁰
- The fees range from \$50 to \$200 around the country.²¹

States that previously raised gas taxes took other actions to increase transportation funding this year.

- Utah lawmakers approved \$1 billion in bonding over the next four years to speed up projects.²² They also modified the state’s gas tax formula, which they revised in 2015, to allow for more robust revenue growth.
- Wyoming lawmakers, who approved a gas tax increase in 2013, this year increased vehicle registration fees, commercial vehicle weight fees and DMV license fees. Due to general fund appropriations cuts, the Wyoming Department of Transportation will see a net revenue loss in 2017.²³

While the gas tax has been the tried-and-true go-to for states, some of the more outside-the-box transportation funding measures were unsuccessful this year.

- Arkansas lawmakers considered a measure that would have asked voters to approve a 6.5 percent sales tax on the sale price of gasoline and diesel. Another measure would have earmarked revenue generated by the state sales tax on internet purchases for highway projects. Neither measure was successful. A measure to impose new registration fees on alternative fuel and hybrid vehicles was withdrawn.²⁴
- A bipartisan measure in Colorado, House Bill 1242, that would have asked voters to approve a 0.5 percentage-point increase in the statewide sales tax for 20 years to help generate money for a bond measure and inject \$3.5 billion into highway improvements, failed to make it past a committee in the Republican-controlled state Senate.²⁵ The Colorado Department of Transportation has estimated the state has \$20 billion in transportation needs.²⁶
- In Mississippi, a bill that would have imposed the state sales tax on out-of-state companies making internet sales within the state and deposited revenues into a special fund for roads, died in committee.²⁷ A separate Senate measure would have diverted the 7 percent tax on items sold by online retailers for transportation construction with 50 percent of revenues going to the Mississippi

Department of Transportation (contingent upon the department finding \$25 million in savings) and 50 percent divided between cities and counties. The bill failed to advance before the Legislature adjourned in March.²⁸

Expanded tolling is another transportation funding mechanism states are exploring this year.

- Legislation in Connecticut, where the state's Special Transportation Fund is projected to run out of money by 2020, could have led to the return of tolls to the state's highways but it failed to win Republican support in the Democratic-controlled House and was withdrawn.²⁹
- Indiana's road funding bill included provisions requiring the Indiana Department of Transportation to study the feasibility of tolling and to seek a Federal Highway Administration waiver that would allow tolling on interstates.³⁰
- Minnesota's transportation funding bill requires the commissioner of transportation to study potential toll roads in the state and report back to the Legislature by January 2018.³¹
- Oregon's transportation package calls for the creation of a transportation commission that would seek approval from the Federal Highway Administration by Dec. 31, 2018, to put tolls on I-205 and I-5 and implement value pricing to reduce traffic congestion.³²

Other states are looking to the future when they too might consider increasing revenues for transportation.

- Connecticut lawmakers approved legislation in June that would ask voters to consider an amendment to the state constitution in 2018 guaranteeing that transportation funds are spent only on

transportation projects.³³

- Delaware's General Assembly in May approved an amendment to the state's constitution that forbids using the transportation trust fund for anything other than transportation projects. A supermajority vote of both houses of the Legislature will be required to override the restriction and the override would have to be proposed in legislation outside the state budget process. Delaware's constitutional amendment process required that the proposal pass two separate sessions of the General Assembly.³⁴
- Missouri's Legislature passed a resolution establishing the "21st Century Missouri Transportation System Task Force" to explore ways to evaluate the state's roads and bridges and the adequacy of transportation funding. The panel will report its recommendations to the Legislature by Jan. 1, 2018.³⁵
- Utah lawmakers approved legislation to create the "Transportation Governance and Funding Task Force," which will examine how to finance billions of dollars for future projects and how to best govern transportation agencies, including the Utah Transit Authority, or UTA. The state will face a doubling of its population over the next 35 years, which will exceed Utah's ability to face its transportation needs. The UTA has said it lacks sufficient funds for currently planned transit projects and that big tax increases may be needed in the future. As noted above, Utah increased its gas tax in 2015 and tweaked it earlier this year.³⁶



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