Traditional revenue sources to fund transportation are in decline, but little was done to shore them up this year.

- Several states considered gas tax increases this year, but as in 2010, no state approved an increase.
- North Carolina’s gasoline excise tax rose 2.5 cents per gallon to a record 35 cents on July 1, but not as a result of legislative action. The state tax is recalculated automatically every July 1 and Jan. 1 based on a formula that floats with wholesale gas prices. Republican lawmakers earlier this year had sought to cap the gas tax but couldn’t agree on how to make up lost funds for road-building projects. During the previous three-year period when a cap was in place, the state lost nearly half a billion dollars that would have been collected if the tax had been allowed to increase.1 Each penny added to the gas tax results in an additional $50 million in construction funding, enough to repave 345 miles of interstate highway or repair 45 bridges.2
- State gas taxes are applied on a per-gallon basis rather than as a percentage of the price. Only a handful of states index their gas tax to inflation or apply a general sales tax to gas purchases. So although gas prices have been high, gas taxes have not brought in additional revenues. In fact, with the increased fuel efficiency of automobiles and some decreases in driving caused by high gas prices, many states have seen dwindling receipts for a tax that is their key source of transportation funding.3
- In South Dakota, which this year considered and rejected a gas tax increase, lawmakers voted to increase license tag fees to help fund maintenance of county, township and municipal roads and bridges. They did so over the veto of Gov. Dennis Daugaard.4
- Instead of raising the state gas tax, which hasn’t been done since 1997, Utah lawmakers voted to dedicate 30 percent of growth in sales tax revenue to transportation. The move, which required lawmakers to override Gov. Gary Herbert’s veto, is expected to produce $60 million for transportation projects in 2013.5
- Arkansas legislators this year approved legislation to create a $1.1 billion interstate highway maintenance program to be funded in part by a proposed increase in the state’s 22.5 cents per gallon tax on diesel fuel. The governor was to call a special election in which voters would decide whether to approve a 5-cent increase to finance a bond program to pay for the maintenance. But when polling showed voters would likely reject the increase, the Arkansas Trucking Association withdrew its support for the measure. The trucking association now says the governor instead could ask voters to renew the existing highway bond program and the state legislature will be asked to repeal a new law that exempts commercial trucks and trailers from the state sales tax.6 Another piece of legislation approved this year proposes a constitutional amendment to be
The Rhode Island Department of Transportation is reducing highway lighting, cutting less grass in highway medians than usual and doing less preventive maintenance on bridges in order to save funds. Voting on in 2012 that would increase the state sales tax by half a cent to finance a separate $1.8 billion bond program for construction of a new state four-lane highway system. The sales tax, if approved, would be in effect for 10 years.7

While a handful of states made a big splash with major transportation finance legislation this year, budget cuts, delayed financing and bare-bones transportation spending plans were more often the order of the day.

- Virginia took significant steps in 2011 to move forward with infrastructure investment. Legislation will set in motion a plan to invest nearly $4 billion and fund more than 900 transportation projects. It will accelerate previously approved Capital Project Revenue Bonds and issue federally backed direct GARVEE bonds to provide $2.9 billion in project funding. The legislature also created a new Virginia Transportation Infrastructure Bank, initially funded using $283 million from a fiscal year 2010 surplus and savings from a performance audit of the state department of transportation. The bank will make low-interest loans and grants to localities, transportation authorities and private-sector partners for transportation projects.5 In addition, the Virginia Department of Transportation created the Office of Public-Private Partnerships, a dedicated state agency charged with identifying and developing public-private partnerships for projects across all modes of transportation.7
- Nebraska Gov. Dave Heineman signed a roads funding bill that delays implementation of the funding mechanism—use of a 1/4 cent from the existing 5 cent sales tax for roads projects, which would begin in 2013. The delay is designed to give the Department of Roads time to plan projects.

Collection of the tax is expected to bring in $65 million or more annually.10
- Missouri’s Highways and Transportation Commission will eliminate 1,200 jobs, close 131 facilities and sell 740 pieces of equipment in order to boost the funding available for road and bridge projects. Officials estimate the plan will save $512 million by 2015 and $117 million per year after that.11
- A restructuring plan at the Idaho Transportation Department has already saved millions. The plan reduced management layers from nine to five and eliminated 62 supervisory positions. The plan also cut 11 assistant positions and reduced duplication between headquarters and regional offices. No one lost their job, but more employees were transferred to the front lines of the department to improve customer service. The restructuring plan, originally projected to save $1.5 million, has already saved $5.7 million in the past fiscal year.12

- The Rhode Island Department of Transportation is reducing highway lighting, cutting less grass in highway medians than usual and doing less preventive maintenance on bridges in order to save funds. Although the state has raised its gas tax twice since 2002, revenues peaked in 2005 and have been fading ever since.13

States continue to put some hope in privatization to help meet their infrastructure needs.

- In Texas, where a partial moratorium on new toll road projects had been in effect since 2007, legislators reinstated the state department of transportation’s authority to enter into long-term toll concessions. But the authority is only for 11 already identified projects and will sunset on Aug. 31, 2015. In the interim, environmental impact studies for the 11 projects must be completed by Aug. 1, 2013 and contracts must be enacted.14
- Indiana’s legislature approved a bill to give the governor and the state department of transportation greater authority to decide whether to use state money or sign deals with private companies to build new toll roads. In 2006, the state leased the Indiana Toll Road to a Spanish-Australian consortium for $3.85 billion for 75 years. The up-front fee allowed the state to undertake its Major Moves program of transportation projects around the state. The new legislation will permit the use of public-private partnership tolling on the new Iliana Expressway (an east-west route connecting northeast Illinois and northwest Indiana) and a new bridge connecting Indiana and Kentucky. Legislative approval would still be required for new tolling on existing untolled highways.15
- Ohio lawmakers approved legislation that gives the state budget director primary responsibility for procuring a private concessionaire to take over the Ohio Turnpike. The budget director will collect proposed requests for proposals from prospective companies and submit them along with detailed terms and conditions for approval by the legislature. Lawmakers then have 90 days
Georgia hired a private contractor to do maintenance work on Interstate 95 along the coast. A Maryland-based company won the nearly $7 million, three-year contract to fix guardrails, do routine bridge repair and collect roadway debris. State department of transportation officials said the project will help free up money and state workers for bigger construction projects as the agency faces a tight budget. Privatized maintenance on all the state’s interstate highways could be on the horizon, officials said.

New Jersey is also looking at privatizing maintenance on sections of state highways as part of a pilot program to look at cost savings.

Some states will experiment with alternative revenue mechanisms in the next year.

Minnesota’s Department of Transportation has recruited 500 people from two counties to take part in testing technology that could be used to collect a mileage-based user fee, also known as a vehicle miles traveled, or VMT, fee. The state legislature appropriated $5 million for the demonstration project in 2007. Those taking part will use a smartphone with a GPS application to submit travel data from each trip they take. Three different groups of volunteers began a six-month test of the devices in July 2011. Iowa, Nevada and Texas are among the other states that have researched mileage-based user fees in recent years.

Some states will study the transportation finance problem and hope the studies will identify solutions.

Washington Gov. Chris Gregoire created a Transportation Advisory Group, which will present a transportation investment and revenue plan to the state legislature and to the public in 2012. In May, Gregoire signed what lawmakers agreed was a bare-bones transportation budget for the next two years. The governor said a new source of revenue is needed to pay for transportation projects, including a bridge linking Seattle and Bellevue, the I-5 crossing over the Columbia River and the North Spokane corridor. The state ferry system also faces a $1 billion shortfall over the next decade. Although the state legislature approved gas tax and fee increases in 2003 and 2005 to fund a series of projects around the state, the ongoing revenues from those tax collections now largely go toward debt payments on the projects. Gregoire said new taxes, fees and tolls are all on the table for consideration by the advisory group.

Iowa Gov. Terry Branstad has created the Governor’s Transportation 2020 Citizen Advisory Commission to gather information about the state’s future transportation needs and make recommendations on funding sources. The governor has challenged the panel to come up with new and innovative ways of financing infrastructure given the increased fuel efficiency of vehicles and the expected future proliferation of electric vehicles. But members are expected to consider the state’s first gas tax increase since 1989 as part of the solution. Other revenue sources that may be considered include a mileage-based user fee (the University of Iowa has also conducted research in this area), a sales tax, a severance tax on ethanol and various license and registration fees.

Pennsylvania Gov. Tom Corbett created the Transportation Funding Advisory Commission to offer recommendations on how to close a $3.5 billion transportation funding deficit, including $484 million in unmet public transportation expenses. The chairman of the commission, Pennsylvania Transportation Secretary Barry Schoch, said the panel will not consider raising the gasoline tax, leasing the Pennsylvania Turnpike or tolling the interstates. But they could consider such things as increasing license and registration fees, uncapping the oil company franchise tax, diverting vehicle sales taxes into the motor license fund (the constitutionally protected account that is used to fund the commonwealth’s highway program which consists of revenues from fuel taxes, license and registration fees, fines and penalties, and other sources), funding less of the state police’s costs from the motor license fund, increasing the amount localities would have to contribute toward transit projects, changing borrowing practices, and consolidating mass transit programs and services. The commission will issue its report Aug. 1 and the legislature could consider recommendations when they return to session this fall.