Trends in Transportation Funding

- Indexing MFTs
- Diversifying Revenue Streams
- Adapting to Technology
- Road Pricing and Tolling
18 states have not raised their gas tax in more than a decade.

12 states have not raised their gas tax in over 20 years.
Recent Gas Tax Increases

- 28 States & D.C. have enacted legislation since 2013
- 20 states & D.C. have indexed or variable-rate gas taxes (blue pins) to alleviate some long-term shortfalls
  - MO (2018) increase subject to voter approval
  - OK (2018) did not increase transportation funding, but freed up general fund $$ for education
Variable vs. Fixed Taxes

- **20 states**, representing 57% of population, now index their state MFT

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
</tr>
</thead>
</table>
| 2013 | Aggressive Indexing  
• MA, MD, PA, VA, VT & DC  
*WY only state to implement fixed increase |
| 2014 | Mild Indexing  
• RI & NH indexed; MA voters repeal indexing provisions |
| 2015 | Mixed Bag  
• GA, NC, and UT indexed  
• IA, ID, NE, SD and WA kept fixed increase |
| 2016 | Minimal Action  
• New Jersey indexed with restraints |
| 2017 | Split Approaches  
• CA, IN, UT and WV enhanced existing indexing mechanism  
• MT, OR, SC and TN implemented fixed increases. |
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State Highway & Bridge Program Revenue Mix Has Changed

**2000**
State Highway Program Revenues

- 24% Federal Investment, $20.8B
- 55% Highway User Fees, Tolls & Taxes, $46.6B
- 11% Bond Issues, $8.9B
- 10% Other State Revenue*, $8.7B

**2015**
State Highway Program Revenues

- 23% Federal Investment, $40.5B
- 42% Highway User Fees, Tolls & Taxes, $74.1B
- 15% Bond Issues, $26.8B
- 20% Other State Revenue*, $34.4B

*Other state revenues include the state General Fund, sales taxes, local government reimbursement and other impacts.
Source: Federal Aid Highway Statistics
Sources of State Funding

- 2016 Transportation Governance and Finance Report
- Found 50+ funding mechanisms for transportation
# Fifty-Four Funding Sources

- Fuel Taxes
- Sales Taxes on Fuel
- Vehicle or Rental Car Sales Tax
- Vehicle Registration
- Weight Fees
- Traffic Camera Fees
- Tolls
- General Funds
- Interest Income
- Inspection Fees
- Advertising
- Impact Fees
- License or Permit Fees
- State Lottery
- Excise Taxes
- Board Funding Obligations
- Ad Valorem Taxes
- Sales Tax
- Congestion Pricing
- Oil Company Taxes
- Fares
- Documentary Stamp Revenue
- Logo Signing
- Situs Tax
- Rail Service Fees
- Toll Road Leases
- Use Tax
- Weight-distance Tax
- Fines
- Corporate Taxes
- Container Fees
- Land Sales
- Advertising Revenue
- Service Payments
- Contractor’s Tax
- Oil Tax
- Rail Regulation Fees
- Investment Income
- Trail-mile Tax
- Surcharge Fees
- Payroll Tax
- Right-of-way
- Service Concessions
- Loan Repayment
- Loan Fees
- Private Contributions
- Tobacco Tax
- Mass-Transit Tax
- VMT Fees
- Highway Litter Control Fund
- Mineral Royalties
- Short-term Lease/Borrowing
- Public space Revenue
- Parking Meters
<table>
<thead>
<tr>
<th>State</th>
<th>Bill Number</th>
<th>Gas Tax Increase (Diesel)</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>SB 100</td>
<td>n/a</td>
<td>Funds the existing Alabama State Infrastructure Bank via multiple revenue streams including dedication of 1 cent of existing MFT revenues.</td>
</tr>
<tr>
<td>Arizona</td>
<td>HB 2166</td>
<td>n/a</td>
<td>Highway Patrol Funding through $18.70 registration fee increase; Restructured registration fee calculations for EVs; potential increase by 10x</td>
</tr>
<tr>
<td>Colorado</td>
<td>SB 1</td>
<td>n/a</td>
<td>Authorizes general fund transfers of $495 (FY 2018-19) and $150 (FY 2019-20) for multi-modal projects; Sends $2.34 billion bonding ballot measure to the voters; funded in part from general fund transfers and bond-like instruments on the sale of state property.</td>
</tr>
<tr>
<td>Connecticut</td>
<td>SB 543</td>
<td>n/a</td>
<td>$1 billion in bonding over 5 years for roads, bridges and transit.</td>
</tr>
<tr>
<td>Georgia</td>
<td>HB 930</td>
<td>n/a</td>
<td>Allows for special purpose local options sales tax for transit. Additionally includes $100 million in state bonds for transit.</td>
</tr>
<tr>
<td>Missouri</td>
<td>HB 1460</td>
<td>10 cpg increase subject to voter approval (dedicated primarily to highway patrol)</td>
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</tr>
<tr>
<td>Oklahoma</td>
<td>HB 1010</td>
<td>3 cpg increase (6 cpg diesel)</td>
<td>Dedicated to transportation and replaces general fund transfers; no net increase for transportation</td>
</tr>
<tr>
<td>Utah</td>
<td>SB 136</td>
<td>n/a</td>
<td>$120 for EVs and indexes to CPI; Allows cities to implement local option sales tax for highways and transit. Creates a sales tax earmark for transit.</td>
</tr>
<tr>
<td>Virginia</td>
<td>SB 896</td>
<td>Revises existing indexing provisions on MFT</td>
<td>Revises existing indexing provisions on MFT</td>
</tr>
</tbody>
</table>
## 2017 – Non MFT Approaches


**Minnesota** – Authorizes $940 million in highway bonds, $300 million in general fund transfers to transportation and reallocates various tax revenues for use on transportation. Establishes a $75 fee on electric vehicles.

**New Hampshire** – Authorized the use of GARVEE bonds to finance certain transportation projects as part of the state’s 10 year transportation plan.

**Utah** – Authorized $1 billion in general obligation bonds for transportation over the next four years.

**West Virginia** – Authorized $500 million in grant anticipation notes for transportation.

**Wyoming** – Increased vehicle registration fees, commercial vehicle fees and other transportation fees. Cut general fund transfers to transportation by approximately the same amount.
Virginia H.B. 2313 (2013)

- Repealed CPG structure
- Created 3.5% wholesale tax
- Dedicates an additional .175% of sales tax to transportation (total of .675%)  
- **Implements additional fees and sales taxes in urban centers and keeps those revenues in urban counties**

Georgia H.B. 170 (2015)

- Removes sales tax on fuels and converts to an excise tax only.
- 7.5 CPG and 4% sales taxes $\rightarrow$ 26 CPG tax
- Ties MFT to inflation (CPI) and **statewide vehicle fuel economy**
- New fees on heavy trucks and aviation fuel
- **$5 per night fee on hotel and motel rooms for transportation**
Trends in Transportation Funding

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- Road Pricing and Tolling
Industry Movement to Electric

CES @CES · 8 Jan
Next up? @Toyota press conference at @MandalayBay.
#CES2018 pic.twitter.com/wesMgychle

Ford plans $11 billion investment, 40 electrified vehicles by 2022
Nick Carey, Joseph White

Volvo Cars @volvocars
We are committed to electrification, so from 2019 all new Volvo car models will include an electric motor. #VolvoCarsEVs
10:17 PM - Jul 4, 2017
2,428 1,724 people are talking about this

GM Plots All-Electric Future With 20 New EVs and Fuel Cell Vehicles Coming By 2023
Forbes
Bloomberg
New Energy Finance

559 million EVs on the road by 2040, representing 33% of the global car fleet

55% EV share of new car sales in 2040

$70/kWh Lithium-ion battery pack prices in 2030

**EV costs.** The upfront cost of EVs will become competitive on an unsubsidized basis starting in 2024. By 2029, almost all segments reach parity as battery prices continue to fall.
Future Gap in MFT Collections

Approximate Annual Gas Tax Revenue (Billions, 2015) (Assumes Overall Average State and Federal Tax of $0.40/Gallon)

- With Current MPG
- With EIA Ref Case MPG
- With “Bloomberg” EV Adjusted MPG
- With “High End” EV Adjusted MPG

Approximate State and Federal Fuel Tax Revenue
2015 Dollars; Assumes Nominal $0.45/Gal. Combined Average Tax

FIGURE 4
Georgia and W. Virginia are highest in nation at $200

Seven states impose fees on hybrids as well
Methods to Capture Increased MPG

Oregon H.B. 2017 (2017)
- Implemented a tiered registration fee based on vehicle MPG
- 83% higher fee for 40 MPG vehicle compared to a 19 MPG vehicle

Georgia H.B. 170 (2015)
- Ties MFT to inflation (CPI) and statewide vehicle fuel economy
Adapting to Mobility Shifts

State Fees on TNCs

Size of Fees*

- NJ > < $0.50
- NY > < 4%
- NV > < 3%
- CT > < $0.25
- MD > < $0.25
- MA > < $0.20
- PA > < $1.4%
- AL > < 1%
- SC > < 1%
- CA > < 0.25%

*on a hypothetical $10 fare
Trends in Transportation Funding

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Drivers Could Be Charged for Their Highway Use

Charging drivers specifically for using roads would increase economic output by allowing highly valued transportation to move more quickly and more reliably. Such pricing could take the form of per-mile charges (also known as vehicle-miles traveled, or VMT, charges), congestion charges, or tolls on Interstate highways. When faster travel and avoiding delays were a priority, drivers could opt to pay for the use of a less congested road, and when travel speed was less important, they could use a road with a lower fee or avoid paying a fee by using a road without one. Charges that varied by time of day or that differed by road would also affect economic activity by limiting congestion.
U.S. Toll Facilities
State Legislation on Tolling

**Rhode Island S.B. 2246 (2017)**
- Currently phasing in commercial vehicle only tolling.

**Indiana H.B. 1001 (2017)**
- Grants broad authority to Governor to establish toll facilities on new and **existing** highways
- Plans to study bridge tolling options on existing Interstates without need for approval from US DOT

**Connecticut**
- On July 17, Governor Malloy ordered a $10 million study on the use of electronic tolling on state highways.
- 2018 tolling legislation failed to pass the legislature.

**Oregon H.B. 2017 (2017)**
- Called for the study of tolling on Interstates 5 and 205 to reduce congestion.
- Task Force recommended expanded consideration of tolls across the state.
Federal STSFA Grants
(Surface Transportation System Funding Alternatives)

- $14.2 million (2016)
- $15.5 million (2017)
- 15 programs (8 states) funded
- Variety of approaches and tested

<table>
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<tr>
<th>FY 2017 Grant Selections</th>
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<tbody>
<tr>
<td><strong>State DOT Recipients and Partners</strong></td>
</tr>
<tr>
<td>California Dept. of Transportation (Caltrans)</td>
</tr>
<tr>
<td>Colorado Dept. of Transportation (CDOT)</td>
</tr>
<tr>
<td>Delaware Dept. of Transportation (DelDOT) in partnership with the I-95 Corridor Coalition</td>
</tr>
<tr>
<td>Missouri Dept. of Transportation (MoDOT)</td>
</tr>
<tr>
<td>Oregon Dept. of Transportation (ODOT)</td>
</tr>
<tr>
<td>Oregon Dept. of Transportation (ODOT) in partnership with the Western Road User Charge Consortium (WRUCC)</td>
</tr>
<tr>
<td>Washington Dept. of Transportation (WSDOT) in partnership with the Washington State Transportation Commission (WSTC)</td>
</tr>
</tbody>
</table>
Pay per Mile Road Charging

- Received SFSTA Grant
- Completed Pilot
- Planning Pilot
- Monitoring Issue
- Interoperability Pilots

Source: Oregon Department of Transportation (ODOT)
Multi-State Approach

Source: Mileage Based User Fee Alliance (MBUFA)
- Largest and only permanent program to date
- 1.7 cents per mile (up from 1.5)
  - Set to 20 mpg vehicle be revenue neutral for a
- HB 2017 allows electric vehicles to avoid special registration fee ($110) if entered into OReGO
- Multiple reporting options (GPS, odometer, bulk)
Delaware

- $3.1 million SFSTA Grant
- I-95 Corridor Coalition
- Launched May 1, 2018

- Phase 1: 120 motorists on Delaware roads
- Phase 2: multi-state commercial truck partnership

WA RUC

- $4.6 million SFSTA Grant
- 12-month initiative w/ 2,000 vehicles
- Mock invoices (no financial transactions)
- More that 5,000 drivers volunteered
- Reporting options include GPS, smartphone apps, in-dash devices, odometer readings
Cost of Collection

7% vs. 1%

RUC

MFT
NCSL’s Transportation Funding Deep Dive

Gas Tax Legislation

What’s New

National Overview

Transportation Funding Options

Transportation Funding by the Numbers
