



States take
the wheel on
transportation
funding as
Congress sputters
along.

BY KEVIN PULA

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Tired of the uncertainty and lack of movement at the federal level, state legislatures passed a variety of transportation funding bills this year, leaving Congress stuck in the slow lane, failing to get beyond yet another short-term extension of the federal bill. More than one-third of the states found ways to increase investments in transportation this year; at least 24 states have done so since 2012.

According to the Congressional Budget Office, federal spending on transportation and water infrastructure was \$96 billion in 2014, down 21 percent from a high of \$122 billion in 2002, adjusted for inflation. As federal spending on highways has waned in recent years, states and localities have had to increase spending, forcing lawmakers to look deep and wide for new funding sources.

"We cannot wait indefinitely for support from the federal government," says Washington Representative Judy Clibborn (D), who led the Washington House Transportation Committee as it passed a \$16.1 billion funding package this year. Conversations regarding new transportation revenue began in 2012, after "we learned more about the need for additional state funding," she says.

Clibborn believes "the longer Congress waits, the more limited states' options become," and

this affects long-term planning for transportation infrastructure vital to state economies and public safety, recreation and health.

The funding changes lawmakers made were not limited to any particular region or political party and were about as diverse as the states themselves.

Gas Taxes Adjusted

Georgia, Idaho, Iowa, Nebraska, South Dakota, Utah and Washington this year enacted gas-tax increases ranging in size from 6 cents per gallon to 11.9 cents.

South Dakota lawmakers passed one of the more broad-based packages. Along with a 6-cent increase in the gas tax, it includes higher vehicle and truck registration fees and more options for counties to raise transportation revenue. The law also requires the secretary of transportation to report to lawmakers annually "so we know what is going on," says South Dakota Senator Mike Vehle (R). Before the package was ever considered, however, Vehle needed "to know if it was really necessary to raise more revenues."

Subsequent studies found 11 percent of the state's roads rated either poor or fair. But the real game changer for Vehle was that by 2025 that portion was estimated to increase to more than half. And the future for bridges didn't look

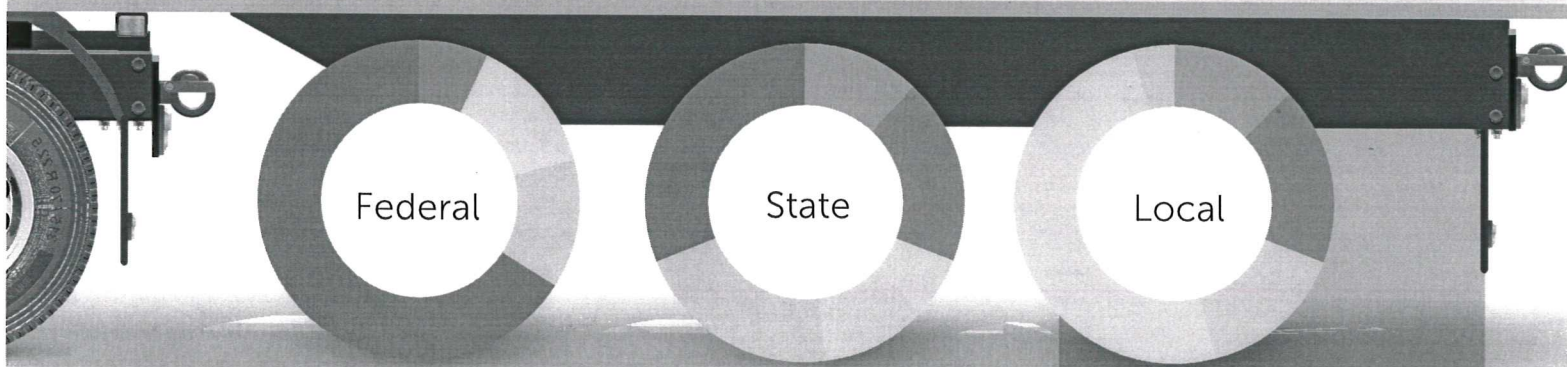
"If you've got it, a road brought it.' Not much is parachuted in these days."

—SENATOR MIKE VEHLE, SOUTH DAKOTA



Revenue Streams

The Various Sources That Fund Government Transportation Projects



- Bond proceeds
- Other taxes, fees, investment income, and other receipts
- Property taxes
- General fund
- Tolls
- Vehicle tax
- Fuel tax

Note: Local vehicle tax revenue includes a small amount of fuel revenue as well. Federal revenue is in federal fiscal years; revenue of state and local governments is in their own fiscal years or calendar years, depending on how they report their data to the Federal Highway Administration.

Source: Pew Trusts, *Funding Challenges in Highway and Transit*, Feb. 24, 2015.

any brighter. Vehle knew that “if we don’t do anything and our roads are in this kind of condition in 10 years, there’s going to be a lot of people saying, ‘What in the devil were you guys in the Legislature doing?’”

Elsewhere, in Kentucky and North Carolina, lawmakers restructured their percentage-based gas taxes to prevent revenues from dipping further because of lower gas prices.

The Utah Legislature elected to allow the gas tax to track with the state’s economy, while lawmakers in Georgia, Kentucky and North Carolina changed how they tie the tax to the state economy.

Additionally, gas taxes in Maryland, Nebraska, Rhode Island and Vermont automatically increased because of indexing or other mechanisms that adjust taxes in those states without legislative action.

New Fees and Bonds, Too

Three legislatures established special registration fees on electric or hybrid vehicles. Georgia now charges \$200 a year for an electric vehicle, Idaho charges \$140 (\$75 for a hybrid) and Wyoming requires electric car owners to purchase a \$50 decal.

Three states passed bond packages. Connecticut authorized \$2.8 billion in bonds for its 30-year, multi-modal trans-

portation investment program. Massachusetts approved \$200 million in bonds for local road repair projects. And Mississippi lawmakers OK’d a \$200 million bond package, primarily for bridge repairs.

The Delaware General Assembly increased a variety of transportation fees and taxes, including the new- and used-vehicle sales tax, which went from 3.75 percent to 4.25 percent.

Lawmakers in North Dakota tapped a state fund created from mineral sales and leases to provide \$800 million in one-time “surge funding” for transportation. And in Vermont, legislators created a “floor” on the wholesale price of gasoline to limit the potential decrease in revenues generated by their 2 percent transportation infrastructure assessment on motor fuel.

A handful of states will ask voters to approve transportation funding packages this fall. Louisianans will decide whether to divert surplus rainy day funds to transportation. Mainers will vote on an \$85 million bond package. Voters in Nevada will determine whether counties will be allowed to link local fuel taxes to inflation. And lawmakers in the Lone Star State are asking voters if \$2.5 billion in general funds should be diverted to transportation.

The Quest Continues

Lawmakers continue to seek adequate long-term funding for vital transportation projects. And many have found acceptable ways to invest in their infrastructure because the condition of roads and bridges affects everyone, whether they’re in the right lane or the left lane.

As Senator Vehle likes to remind his constituents: “If you’ve got it, a road brought it. Not much is parachuted in these days.”