

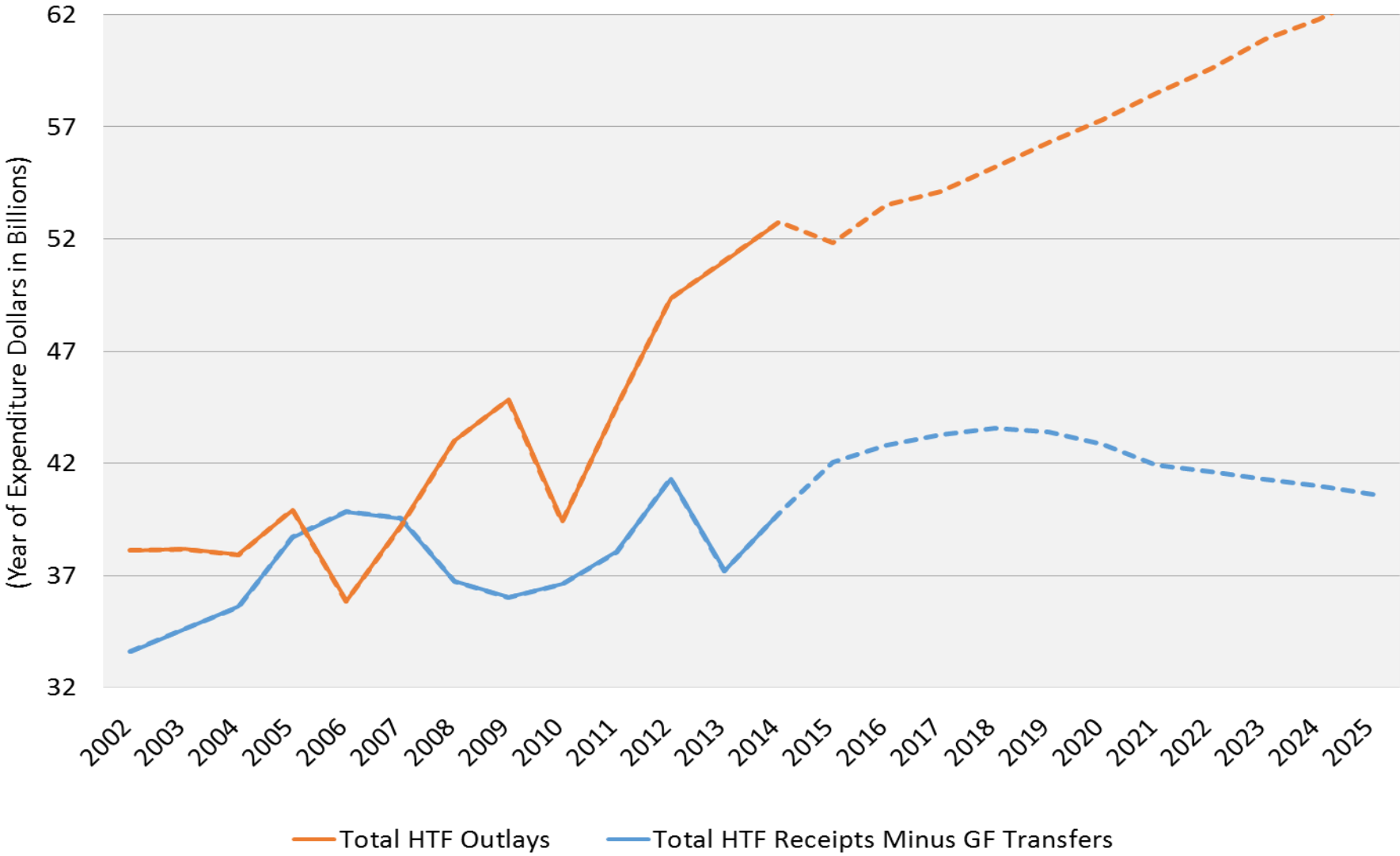
Successful State Highway Funding Initiatives

National Chapter Leadership Conference

September 25, 2017

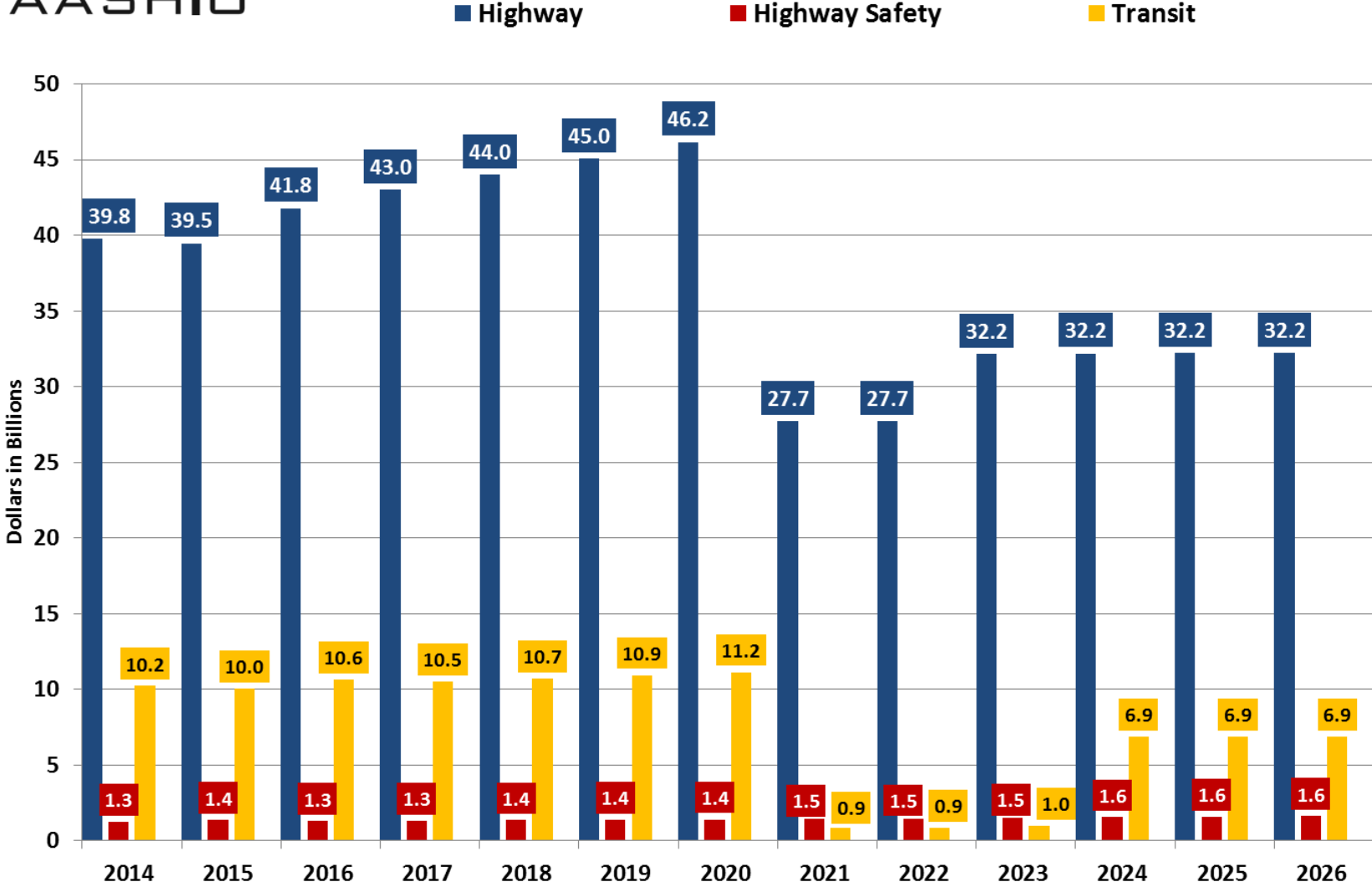


HIGHWAY TRUST FUND: RECEIPTS/OUTLAYS GAP





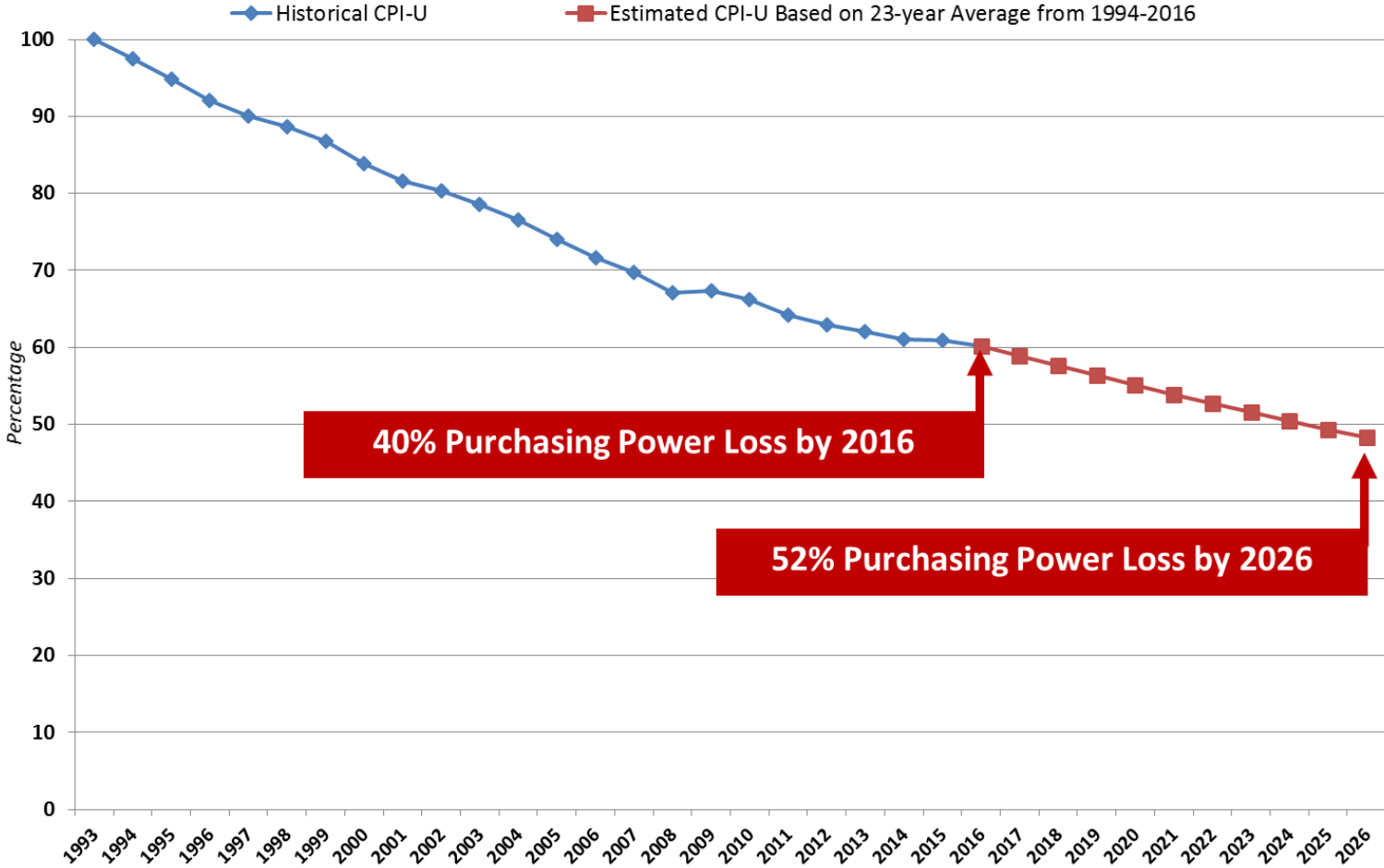
ESTIMATED FEDERAL HIGHWAY TRUST FUND OBLIGATIONS



For illustrative purposes, this scenario assumes maintenance of a "minimum prudence balance" of \$4 billion in the Highway Account and \$1 billion in the Mass Transit Account.
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FEDERAL GAS TAX HEADWIND: IMPACT OF INFLATION

PURCHASING POWER LOSS OF GAS TAX DUE TO INFLATION



FEDERAL GAS TAX HEADWIND: SIGNIFICANT LOSS OF PURCHASING POWER

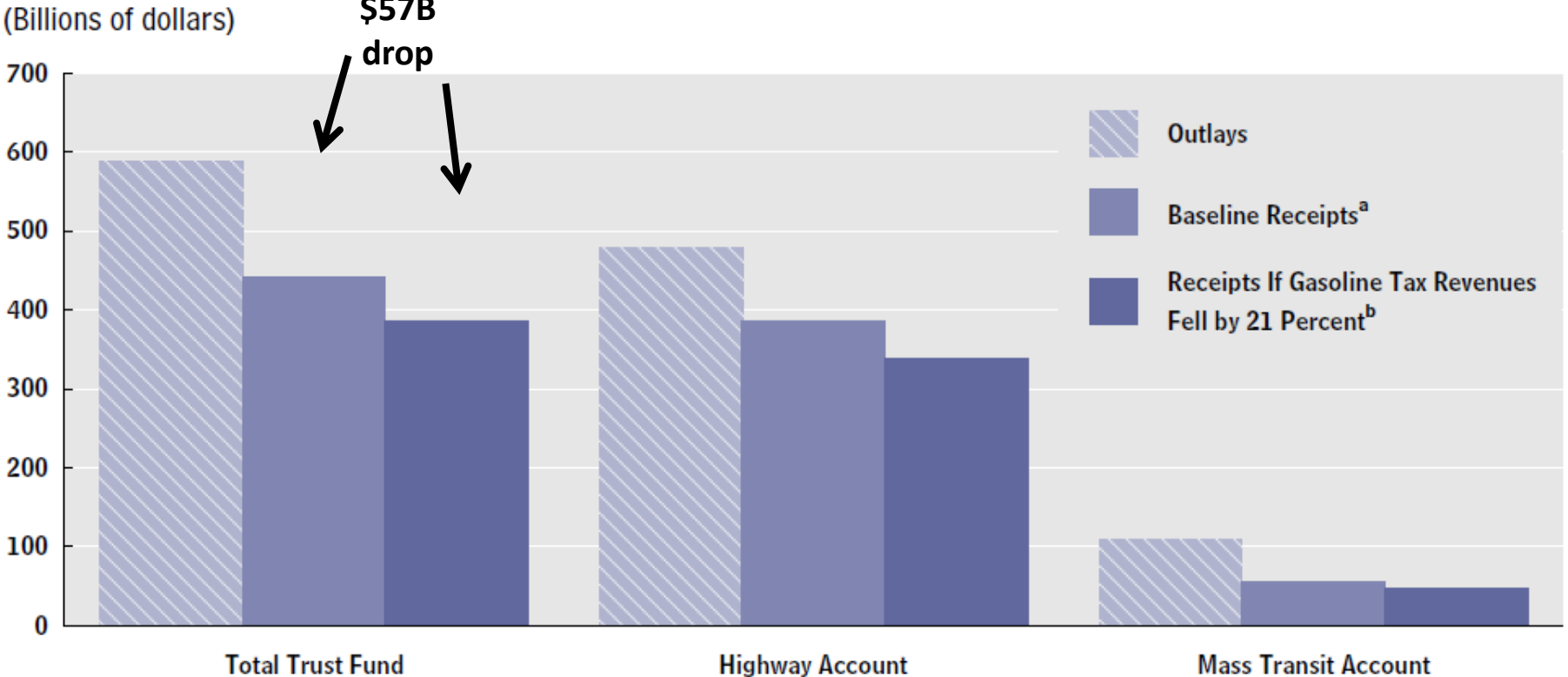
Sample of Nominal Price Changes Relative to Federal Gas Tax

Item	Description	1993	2015	Percent Change
College Tuition	Average Tuition & Fees at Public 4-year Universities	\$ 1,908	\$ 9,145	379%
Healthcare	National Expenditure Per Capita	\$ 3,402	\$ 9,523	180%
House	Median New Home Price	\$118,000	\$292,000	147%
Gas	Per Gallon	\$ 1.08	\$ 2.56	137%
Beef	Per Pound of Ground Beef	\$ 1.97	\$ 4.38	122%
Movie Ticket	Average Ticket Price	\$ 4.14	\$ 8.43	104%
Bread	Per Pound of White Bread	\$ 0.75	\$ 1.48	98%
Income	National Median Household	\$ 31,241	\$ 56,516	81%
Stamp	One First-Class Stamp	\$ 0.29	\$ 0.49	69%
Car	Average New Car	\$ 16,871	\$ 25,487	51%
Federal Gas Tax	Per Gallon	\$ 0.18	\$ 0.18	0%

Sources: Bureau of Labor Statistics, Centers for Medicare & Medicaid Services, College Board, Federal Reserve Bank of St. Louis, Oak Ridge National Laboratory, U.S. Census Bureau, U.S. Energy Information Agency, U.S. Postal Service

GAS TAX HEADWIND: IMPACT OF CAFE & ALTERNATIVE FUEL VEHICLES

Projected Outlays and Receipts of the Highway Trust Fund, by Account, 2012 to 2022



Source: Congressional Budget Office

Figure 1: The Federal Gasoline Tax Has Now Gone Longer Than Ever Before Without an Adjustment in Rate

Gasoline Tax Rate*	Start Date	End Date	Days Since Last Adjustment	Years Since Last Adjustment
1	21-Jun-32	16-Jun-33	361	1.0
1.5	17-Jun-33	31-Dec-33	198	0.5
1	1-Jan-34	30-Jun-40	2,373	6.5
1.5	1-Jul-40	31-Oct-51	4,140	11.3
2	1-Nov-51	30-Jun-56	1,704	4.7
3	1-Jul-56	30-Sep-59	1,187	3.3
4	1-Oct-59	31-Mar-83	8,583	23.5
9	1-Apr-83	30-Nov-90	2,801	7.7
14	1-Dec-90	30-Sep-93	1,035	2.8
18.3	1-Oct-93	Ongoing	8,584**	23.5

* Cents per gallon. Reported tax rates do not include the 0.1 cent Leaking Underground Storage Tank (LUST) fee, which has occasionally been allowed to lapse.

** As of April 1, 2017

Source: Institute on Taxation and Economic Policy (ITEP) analysis of information from the Congressional Research Service (CRS).

Highway Trust Fund Status

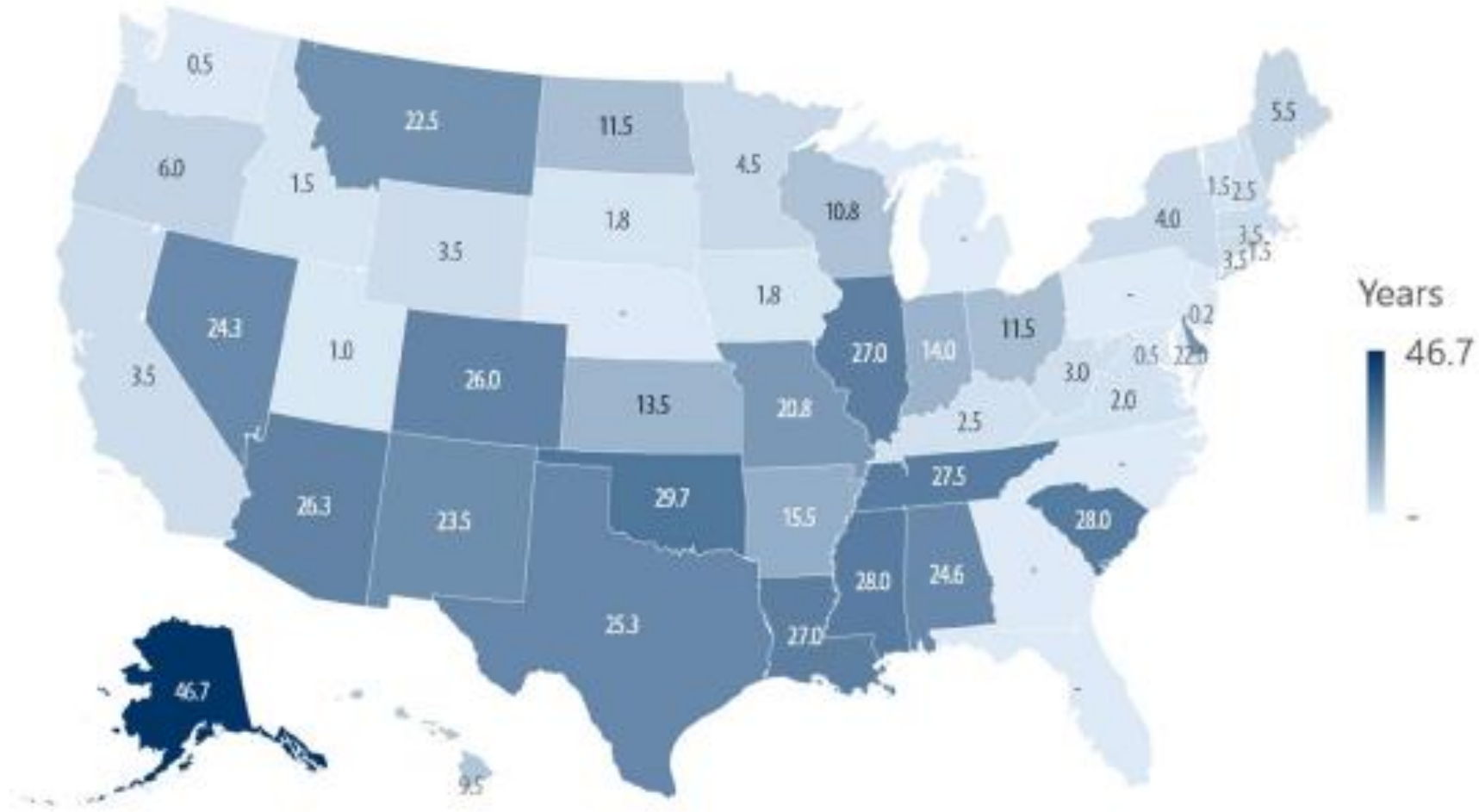
- The FAST Act authorizes federal highway and transit programs through FY 2020
- FAST Act Success – 5 Years Funding – 5% 2016- 2% Through 2020
- Did not address the long-term solvency of the Highway Trust Fund
- \$16-18 Billion Needed To Maintain Current Funding
- Tax Reform Opportunity to Fix HTF
- AGC Ask – Include Additional HTF Revenue and Infrastructure in Tax Reform

STATE REVENUE SOURCES FOR TRANSPORTATION

- **Fuel taxes** (all states + DC); 19 index; largest single source of highway funds used by half the states
- **Vehicle registration, license or title fees** (43 states)
- **Truck Registration Fees** (43 states)
- **Tolls** (27 state, plus non-state toll entities)
- **General Sales Tax** (6 states)
- **General funds** (17 states + DC)
- **Interest income** (45 states + DC)
- **Motor vehicle or rental car sales taxes** (19 states + DC)
- **Vehicle or truck weight fees** (37 states)
- **Alternative Fuel Tax** (42 states + DC)
- **Other** (50 states + DC)

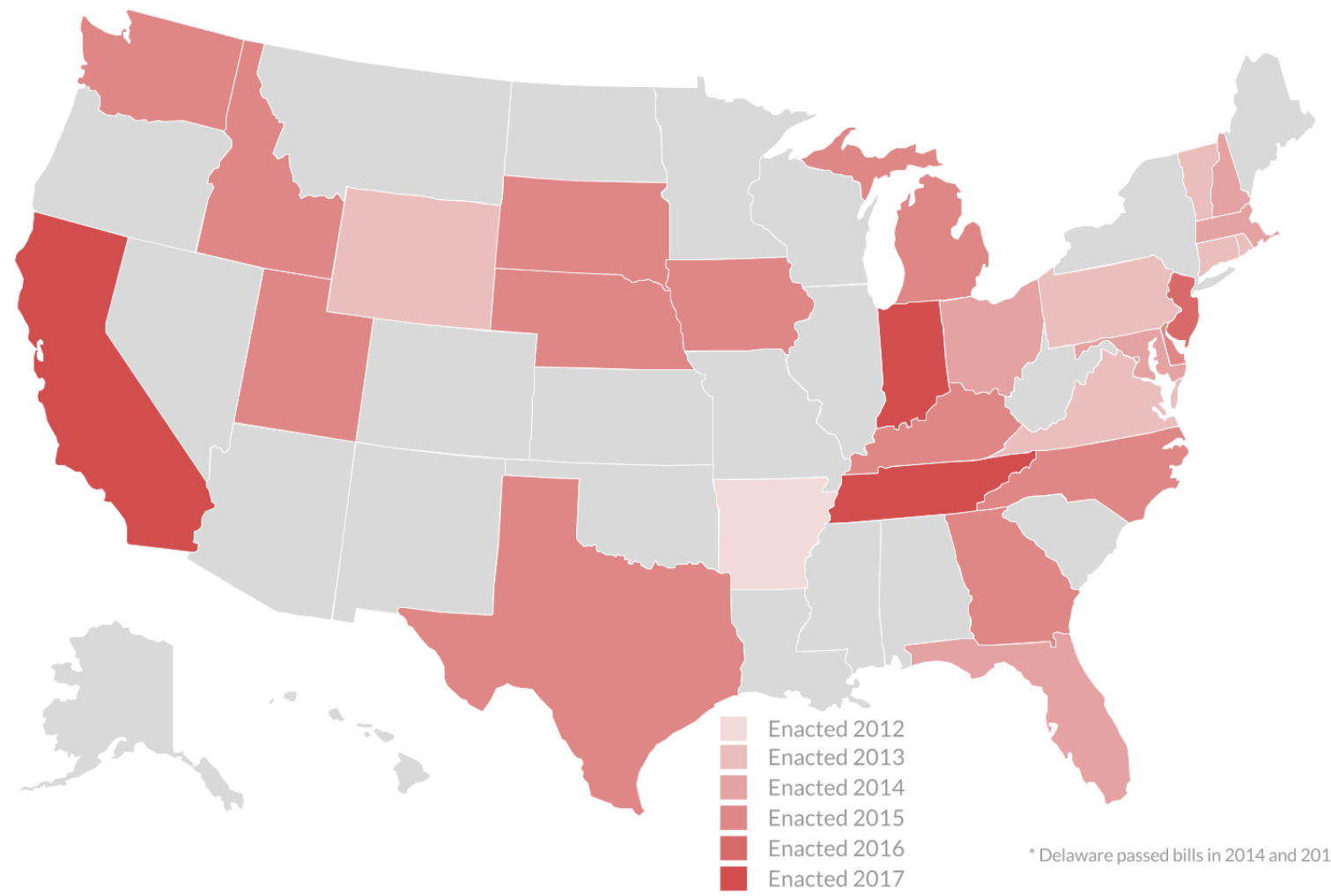
Years Since Last Gasoline Tax Increase

As of January 1, 2017



Source: Institute on Taxation and Economic Policy (ITEP)

Successful state plans to raise additional transportation revenue, 2012-



Source: Transportation for America

STATE MOTOR FUEL TAX INCREASES

- 26 States & D.C. have enacted legislation since 2013
 - No strong demographic, regional or political trends
 - 7 states increase fuel taxes in 2017
 - California
 - Tennessee
 - South Carolina
 - Montana
 - Oregon
 - Indiana

STATE FUNDING HIGHLIGHTS

California

- \$52.4 billion package over 10 years
- \$24 billion from increase in gas tax by 12 cpg and indexing
- \$7.3 billion from increase in diesel excise tax by 20 cpg
- \$3.5 billion from increase in diesel sales tax from 9 to 13 percent
- \$16.3 billion from vehicle registration fee ranging from \$25-\$175 based on value
- \$200 million from \$100 annual fee for zero-emission vehicles
- \$706 million in repayment of loans made to general fund

STATE FUNDING HIGHLIGHTS

Tennessee

- \$350 million increase in revenue per year
- 6 cpg gas tax and 10 cpg diesel tax increase, first since 1989
- Registration fee increase by \$5
- Reduces general fund revenue by \$410 million based largely on reduction of sales tax on groceries

STATE FUNDING HIGHLIGHTS

Indiana

- \$1.2 billion increase in revenue per year
- 10 cpg gas tax increase
- Registration fee increase by \$15
- \$50 fee on hybrids and \$150 fee on electric vehicles

New Jersey

- \$2 billion increase in revenue per year
- 23 cpg gas tax increase, 27 cpg diesel tax increase
- First motor fuel tax increase since 1988
- Reduces state revenues elsewhere by \$1.4 billion based on sales tax reduction, elimination of estate tax

MAKING THE VALUE PROPOSITION



Question: How much does the typical driver pay in gas tax in a year?

Probably six thousand, seven thousand dollars a year

Answer: \$293 in federal and state gas taxes per year per vehicle

SOME COMMON THEMES BEHIND STATE SUCCESS STORIES

- Takes more than one bite at the apple
- Needs are reasonable and benefits are relatable to the public
- Users' share of investment cost is clearer
- Strong political leadership is provided from the executive branch
- Formation of a broad coalition of supporters beyond self-interested groups