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Fiscal Fact

Gasoline Taxes and Tolls Pay for Only a Third of State & Local Road Spending

Delaware Raises the Most from User Taxes and Fees; Alaska and Wyoming the Least

By

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A key issue for many state legislatures this year is transportation funding.¹ Maryland Governor Martin O’Malley (D) and Virginia Governor Bob McDonnell (R) have proposed sales tax increases for transportation, Wyoming Governor Matt Mead (R) has proposed raising his state’s second-lowest-in-the-nation gasoline tax, and others have proposed new toll roads or the adoption of a “vehicle mileage tax” (VMT) system.²

The lion’s share of transportation funding should come from user taxes and fees, such as tolls, gasoline taxes, and other user-related charges. When road funding comes from a mix of tolls and gas taxes, the people that use the roads benefit from them and should bear a sizeable portion of the cost. By contrast, funding transportation out of general revenue makes roads “free,” and consequently, overused or congested—often the precise problem transportation spending programs are meant to solve.

Nationwide in 2010, state and local governments raised \$37 billion in motor fuel taxes and \$12 billion in tolls and non-fuel taxes, but spent \$155 billion on highways.³ In other words, highway user taxes and fees

¹ For gasoline tax by state, see Nick Kaspak, *Monday Map: State Gasoline Tax Rates, 2013*, TAX FOUNDATION TAX POLICY BLOG, Jan. 14, 2013, <http://taxfoundation.org/blog/monday-map-state-gasoline-tax-rates-2013>.

² See, e.g., Andy Brownfield, *O’Malley: Road funds may need gas or sales tax hike*, WASHINGTON EXAMINER, Jan. 9, 2013, <http://bit.ly/W0pFax>; Joseph Henchman & Scott Drenkard, *Virginia Governor Proposes Smoke & Mirrors Transportation Financing Plan*, TAX FOUNDATION TAX POLICY BLOG, Jan. 8, 2013, <http://bit.ly/Ximk5b>; Joan Barron, *Wyoming House committee advances fuel tax bill*, CASPER STAR-TRIBUNE, Jan. 14, 2013, <http://bit.ly/W0pGLt>; Michelle Boudin, *Controversial toll road planned to widen I-77*, NBC CHARLOTTE, Jan. 14, 2013, <http://bit.ly/W0pEDs>; Becky Orr, *I-80 tolls run over*, WYOMING NEWS, Feb. 1, 2011, <http://bit.ly/W77eyE>; WKBN, *Lawmakers Criticize Kasich’s Turnpike Plan*, Dec. 18, 2012, <http://bit.ly/W77duH>; Associated Press, *State officials propose mileage tax for fuel-efficient vehicles in Oregon*, Jan 2, 2013, <http://bit.ly/UAlM8G>; Susan Fleming, *Highway Trust Fund: Pilot Program Could Help Determine the Viability of Mileage Fees for Certain Vehicles*, U.S. GOVERNMENT ACCOUNTABILITY OFFICE REPORT (Dec. 2012), <http://www.gao.gov/assets/660/650863.pdf>.

³ See U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State, 2009-10*, <http://www.census.gov/govs/estimate/>.

made up just 32 percent of state and local expenses on roads. The rest was financed out of general revenues, including federal aid.

The ratios do not change much when adding in all transportation modes. In 2010, state and local governments spent \$60 billion on mass transit, \$23 billion on air transportation facilities, \$1.6 billion on parking facilities, and \$5.3 billion in ports and water transportation, in turn raising \$13 billion in mass transit fares, \$18 billion in air transportation fees, \$3.2 billion in parking fees and fines, and \$3.8 billion in water transportation taxes and fees.⁴ Altogether, states raised about 36 percent of their transportation spending from user taxes, fees, and other charges.

Table 1 lists each state by the proportion of highway spending covered by user taxes and fees, as well as the proportion of all transportation spending covered by user taxes and fees. Delaware, Florida, New Jersey, North Carolina, New York, and New Hampshire do the best, raising about half of their transportation spending from user taxes and fees. While these states' commuters and visitors may gripe about high tolls and gasoline taxes, users are helping pay for services that they are themselves using. By contrast, Wyoming, Alaska, South Dakota, Vermont, and Iowa raise little of their transportation spending from user taxes and fees, instead subsidizing it heavily with general revenues.

Expanding tolls and indexing gasoline taxes for inflation may not be politically popular even though transportation facilities and services are highly popular. Given that transportation spending exists, states should aim to fund as much of it as possible from user-related taxes and fees. Subsidizing highway spending from general revenues creates pressure to increase income or sales taxes, which can be unfair to non-users and undermine economic growth for the state as a whole.

Table 1: State & Local Road & Transportation Spending Covered by User Taxes and Fees by State, 2010

	Share of Road Spending Covered by Fuel Taxes, Tolls, and Other User Taxes and Fees	Rank	Share of All Transportation Spending Covered by User Taxes and Fees	Rank
Alabama	30.6%	24	33.6%	27
Alaska	5.2%	50	13.7%	49
Arizona	31.0%	22	32.8%	30
Arkansas	38.3%	12	39.2%	17
California	22.7%	39	30.3%	33
Colorado	30.6%	24	41.9%	11
Connecticut	31.2%	21	27.7%	37
Delaware	59.3%	1	54.7%	1
Florida	49.7%	2	50.4%	2
Georgia	25.6%	34	36.3%	21
Hawaii	21.2%	42	42.2%	10
Idaho	26.0%	32	27.1%	39
Illinois	26.8%	30	39.1%	18
Indiana	28.2%	29	30.7%	31
Iowa	19.4%	46	21.5%	44
Kansas	29.8%	27	30.3%	32
Kentucky	29.2%	28	34.2%	25

⁴ See *id.*

	Share of Road Spending Covered by Fuel Taxes, Tolls, and Other User Taxes and Fees	Rank	Share of All Transportation Spending Covered by User Taxes and Fees	Rank
Louisiana	22.0%	40	26.0%	41
Maine	42.7%	6	43.9%	6
Maryland	34.6%	16	34.5%	24
Massachusetts	41.5%	8	44.2%	5
Michigan	29.9%	26	33.6%	28
Minnesota	23.6%	36	29.9%	34
Mississippi	23.6%	36	26.4%	40
Missouri	22.9%	38	28.0%	36
Montana	23.7%	35	24.8%	42
Nebraska	31.8%	19	43.1%	7
Nevada	26.4%	31	41.7%	12
New Hampshire	42.0%	7	45.1%	4
New Jersey	49.5%	3	42.9%	8
New Mexico	19.6%	45	22.7%	43
New York	43.8%	5	39.3%	16
North Carolina	46.0%	4	45.6%	3
North Dakota	20.0%	44	21.1%	45
Ohio	41.2%	9	39.7%	14
Oklahoma	25.7%	33	28.5%	35
Oregon	21.8%	41	27.6%	38
Pennsylvania	33.0%	18	34.6%	23
Rhode Island	35.7%	15	33.8%	26
South Carolina	36.5%	14	42.3%	9
South Dakota	16.4%	48	16.9%	48
Tennessee	36.7%	13	38.9%	19
Texas	38.9%	11	39.4%	15
Utah	20.2%	43	20.2%	46
Vermont	19.2%	47	19.8%	47
Virginia	31.5%	20	39.8%	13
Washington	33.5%	17	36.0%	22
West Virginia	39.1%	10	38.9%	20
Wisconsin	30.7%	23	33.0%	29
Wyoming	5.3%	49	6.6%	50
District of Columbia	4.0%	(51)	31.1%	(31)
U.S. Average	32.0%		35.8%	

Source: Tax Foundation calculations from U.S. Census Bureau, *State and Local Government Finance*.

Notes: Excludes federal aid from numerator but includes state and local spending financed by federal aid in denominator.

Road spending is motor fuel tax revenue and highway revenue divided by highway spending. Transportation spending is motor fuel tax revenue, highway revenue, air transportation revenue, parking facility revenue, sea and inland port facility revenue, and transit revenue divided by highway spending, air transportation spending, parking facility spending, sea and inland port facility spending, and mass transit spending.