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Gasoline Taxes and User Fees Pay for Only Half of State & Local Road Spending

By

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A key issue for state governors and legislators is how to pay for transportation expenses. In the last year, Virginia and Massachusetts raised a number of taxes for transportation purposes, a handful of states raised gasoline taxes, Oregon began testing a “vehicle mileage tax” (VMT) pricing system, and other states proposed new or expanded toll roads.¹

The lion’s share of transportation funding should come from user fees (amounts a user pays directly for a service the user receives, such as tolls) and user taxes (amounts a user pays, based on usage, for transportation, such as fuel and motor vehicle license taxes).² When road funding comes from a mix of tolls and gasoline taxes, the people that use the roads 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 2011, highway user fees and user taxes made up just 50.4 percent of state and local expenses on roads. State and local governments spent \$153.0 billion on highway, road, and street expenses but raised only \$77.1 billion in user fees and user taxes (\$12.7 billion in tolls and user fees, \$41.2 billion in fuel taxes, and \$23.2 billion in vehicle license taxes).³ The rest was funded by \$30 billion in general state and local revenues and \$46 billion in federal aid (approximately \$28 billion derived from the federal gasoline tax and \$18 billion from general federal revenues or deficit financed).

The ratios do not improve when adding in all transportation modes. In 2011, state and local governments spent \$58.7 billion on mass transit, \$22.7 billion on air transportation facilities, \$1.6 billion on parking facilities, and \$5.2 billion on ports and water transportation, in turn raising \$13.2 billion in mass transit fares, \$18.8 billion in air transportation fees, \$2.2 billion in parking fees and fines, and \$4.2 billion in water transportation taxes and fees.⁴ While state and local governments generated surplus revenue from parking facilities and fines, no transportation mode was free of subsidy (see Table 1).

¹ See, e.g., Joseph Henchman, *Virginia Legislators Approve Increases in Sales Tax, Car Tax, Regional Taxes*, TAX FOUNDATION TAX

² For state-by-state treatment of the distinction between taxes and fees, see Joseph Henchman, *How Is the Money Used? Federal and State Cases Distinguishing Taxes and Fees* (Mar. 27, 2013), <http://bit.ly/19Bgjcc>.

³ U.S. Census Bureau, *State and Local Government Finance 2011*. Our report this year includes vehicle license taxes in the “user tax” category, which was not the case for our report last year.

⁴ See *id.*

Table 1: User Fees and User Taxes as a Percent of State-Local Transportation Spending, 2011

Transportation Mode	User Fees as a Share of Total State & Local Spending on the Mode	User Taxes as a Share of Total State & Local Spending on the Mode	User Fees & User Taxes as a Share of Total State & Local Spending on the Mode
Parking Facilities	137.5%	n/a	137.5%
Air Transportation	*	*	82.8%
Sea and Inland Ports	*	*	80.8%
Mass Transit	22.5%	n/a	22.5%
Highways, Streets, and Roads	8.3%	42.1%	50.4%
Total, All Transportation Modes	21.1%	26.7%	47.8%

Source: U.S. Census Bureau, State and Local Government Finance 2011.

*Data separating state and local water and air transportation revenues into fees and taxes is not available so are presented here as aggregated.

With Americans driving approximately 3 trillion miles each year, total road spending by state and local governments equates to an average of 5.1 cents per mile driven. To cover these costs, Americans paid an average of 0.4 cents per mile in tolls and user fees, 1.4 cents in state fuel taxes, and 0.8 cents in vehicle license taxes. The remaining 2.5 cents was covered by general state and local revenues (1.0 cent) and federal aid (0.9 cents derived from the federal gasoline tax and 0.6 cents derived from general federal revenues).

Table 2 lists the proportion of road spending covered by user fees and user taxes by state. Delaware, Hawaii, Florida, and California do the best, raising about two-thirds or more of their transportation spending from user fees and user taxes. 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, Alaska, South Dakota, Wyoming, and Louisiana raise little of their transportation spending from user fees and user taxes, instead subsidizing it heavily with general revenues.

Table 3 lists this information by dollar amount, and Table 4 lists this information per capita.

Expanding tolls and indexing gasoline taxes for inflation may not be politically popular despite the highly popular nature of transportation facilities and services. Given that transportation spending exists, states should aim to fund as much of it as possible from user fees and user taxes. Subsidizing road 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 2: Share of State & Local Road Spending Covered by User Fees and User Taxes, 2011

State	Tolls & User Fees	Rank	Fuel Taxes	License Taxes	Total, User Fees & User Taxes	Rank
Delaware	48.1%	1	21.2%	9.3%	78.6%	1
Hawaii	0.8%	37	30.2%	46.4%	77.3%	2
Florida	15.1%	6	38.4%	15.3%	68.8%	3
California	4.4%	20	38.7%	21.3%	64.4%	4
North Carolina	0.3%	44	43.4%	15.9%	59.6%	5
Massachusetts	18.2%	5	25.8%	14.7%	58.7%	6
Rhode Island	5.3%	16	36.4%	16.9%	58.6%	7
New Jersey	32.8%	2	12.1%	13.6%	58.5%	8
New Hampshire	19.5%	4	21.7%	16.8%	58.0%	9
Michigan	3.3%	25	28.1%	25.7%	57.0%	10
New York	29.1%	3	14.6%	12.8%	56.5%	11
Ohio	5.6%	15	34.9%	15.6%	56.1%	12
Texas	10.0%	9	28.4%	17.6%	56.0%	13
Oklahoma	9.7%	11	18.6%	26.9%	55.2%	14
Oregon	3.1%	26	22.6%	29.4%	55.0%	15
Illinois	9.8%	10	21.1%	23.3%	54.2%	16
Maryland	12.5%	8	25.5%	15.1%	53.1%	17
Tennessee	0.0%	50	35.4%	17.5%	53.0%	18
South Carolina	4.6%	19	34.4%	12.8%	51.9%	19
Colorado	5.2%	17	26.0%	19.7%	50.9%	20
Washington	6.7%	14	29.8%	12.4%	48.9%	21
Maine	12.7%	7	25.7%	10.5%	48.8%	22
Iowa	0.4%	43	21.4%	24.8%	46.6%	23
Nebraska	3.7%	24	27.7%	14.9%	46.3%	24
Arkansas	1.9%	30	33.9%	10.4%	46.2%	25
Virginia	3.7%	23	24.7%	16.2%	44.7%	26
Kentucky	0.2%	47	32.8%	11.0%	44.1%	27
Wisconsin	4.3%	21	26.9%	12.5%	43.6%	28
Connecticut	0.1%	49	30.9%	12.6%	43.6%	29
Georgia	1.0%	36	32.1%	10.2%	43.4%	30
Indiana	0.2%	48	28.7%	14.2%	43.1%	31
Minnesota	1.4%	34	24.0%	16.6%	41.9%	32
Pennsylvania	9.6%	12	22.9%	9.3%	41.8%	33
Kansas	5.2%	18	24.9%	11.6%	41.7%	34
Montana	1.6%	32	23.6%	16.2%	41.4%	35
Idaho	2.9%	27	23.8%	14.1%	40.9%	36
Arizona	0.7%	38	31.0%	9.1%	40.8%	37
Alabama	0.7%	39	28.1%	10.0%	38.9%	38
Nevada	0.5%	41	26.8%	10.8%	38.1%	39
West Virginia	7.4%	13	30.4%	0.3%	38.1%	40
Mississippi	0.2%	46	25.2%	7.7%	33.1%	41
New Mexico	1.3%	35	20.2%	11.6%	33.1%	42
Missouri	0.6%	40	22.5%	8.5%	31.6%	43
North Dakota	1.9%	29	18.1%	9.8%	29.8%	44
Vermont	0.2%	45	17.9%	10.9%	29.0%	45
Utah	2.0%	28	20.1%	6.7%	28.8%	46
Louisiana	1.6%	33	20.2%	3.6%	25.4%	47
Wyoming	1.7%	31	10.1%	12.7%	24.5%	48
South Dakota	0.5%	42	14.1%	7.0%	21.5%	49
Alaska	3.9%	22	2.3%	4.3%	10.5%	50
District of Columbia	0.0%	(51)	9.0%	13.5%	22.5%	(49)
U.S. Average	8.3%		26.9%	15.2%	50.4%	

Source: Tax Foundation calculations from U.S. Census Bureau, State and Local Government Finance 2011.

District of Columbia rank is for comparative purposes and does not affect other states' ranks.

Table 3: Road-Related User Fees and User Taxes Collected by State, 2011
(\$ millions)

State	Tolls & User Fees	Fuel Taxes	License Taxes	Total, User Fees & User Taxes	Total, State-Local Road Spending	Share Covered	Rank
Alabama	\$16.1	\$618.6	\$220.5	\$855.2	\$2,199.6	38.9%	38
Alaska	\$65.2	\$39.6	\$73.0	\$177.8	\$1,692.2	10.5%	50
Arizona	\$18.3	\$774.6	\$227.6	\$1,020.5	\$2,500.7	40.8%	37
Arkansas	\$26.1	\$468.6	\$143.3	\$638.0	\$1,381.0	46.2%	25
California	\$651.1	\$5,705.5	\$3,132.0	\$9,488.6	\$14,726.5	64.4%	4
Colorado	\$124.9	\$622.8	\$471.2	\$1,218.9	\$2,396.1	50.9%	20
Connecticut	\$1.8	\$477.8	\$195.3	\$674.8	\$1,548.4	43.6%	29
Delaware	\$258.3	\$113.8	\$50.0	\$422.1	\$537.2	78.6%	1
Florida	\$1,235.8	\$3,151.8	\$1,253.6	\$5,641.2	\$8,200.4	68.8%	3
Georgia	\$30.3	\$932.7	\$296.8	\$1,259.8	\$2,903.6	43.4%	30
Hawaii	\$4.4	\$170.5	\$261.8	\$436.7	\$564.6	77.3%	2
Idaho	\$28.7	\$239.0	\$141.8	\$409.4	\$1,002.3	40.9%	36
Illinois	\$694.1	\$1,492.5	\$1,653.4	\$3,840.0	\$7,088.4	54.2%	16
Indiana	\$5.5	\$775.3	\$384.9	\$1,165.6	\$2,702.3	43.1%	31
Iowa	\$9.2	\$448.0	\$520.2	\$977.4	\$2,096.3	46.6%	23
Kansas	\$90.6	\$436.9	\$204.2	\$731.6	\$1,755.2	41.7%	34
Kentucky	\$4.9	\$732.8	\$246.3	\$984.0	\$2,231.9	44.1%	27
Louisiana	\$48.4	\$607.5	\$108.7	\$764.7	\$3,014.2	25.4%	47
Maine	\$117.9	\$239.4	\$97.7	\$455.0	\$931.6	48.8%	22
Maryland	\$367.7	\$752.2	\$444.1	\$1,564.0	\$2,945.3	53.1%	17
Massachusetts	\$467.9	\$660.8	\$378.1	\$1,506.8	\$2,564.8	58.7%	6
Michigan	\$113.4	\$975.0	\$891.0	\$1,979.4	\$3,470.4	57.0%	10
Minnesota	\$48.1	\$847.9	\$587.6	\$1,483.5	\$3,538.4	41.9%	32
Mississippi	\$4.1	\$424.3	\$129.1	\$557.5	\$1,683.5	33.1%	41
Missouri	\$19.4	\$719.4	\$270.9	\$1,009.7	\$3,197.7	31.6%	43
Montana	\$14.3	\$209.4	\$144.0	\$367.7	\$888.9	41.4%	35
Nebraska	\$42.3	\$318.1	\$171.3	\$531.6	\$1,147.7	46.3%	24
Nevada	\$7.7	\$376.2	\$151.7	\$535.5	\$1,403.9	38.1%	39
New Hampshire	\$146.7	\$162.8	\$126.2	\$435.6	\$751.5	58.0%	9
New Jersey	\$1,414.9	\$524.2	\$587.5	\$2,526.6	\$4,318.1	58.5%	8
New Mexico	\$15.5	\$239.5	\$137.8	\$392.7	\$1,186.0	33.1%	42
New York	\$3,212.2	\$1,609.4	\$1,414.7	\$6,236.4	\$11,029.3	56.5%	11
North Carolina	\$12.5	\$1,663.0	\$608.0	\$2,283.5	\$3,829.5	59.6%	5
North Dakota	\$17.9	\$170.9	\$93.0	\$281.8	\$945.6	29.8%	44
Ohio	\$281.7	\$1,757.2	\$787.3	\$2,826.3	\$5,037.4	56.1%	12
Oklahoma	\$233.6	\$447.5	\$646.2	\$1,327.3	\$2,403.5	55.2%	14
Oregon	\$62.1	\$454.4	\$590.8	\$1,107.3	\$2,012.5	55.0%	15
Pennsylvania	\$859.1	\$2,064.2	\$834.3	\$3,757.6	\$8,995.4	41.8%	33
Rhode Island	\$18.3	\$126.3	\$58.7	\$203.3	\$346.9	58.6%	7
South Carolina	\$71.3	\$527.8	\$196.6	\$795.7	\$1,532.7	51.9%	19
South Dakota	\$4.1	\$127.4	\$63.3	\$194.8	\$906.9	21.5%	49
Tennessee	\$1.0	\$845.4	\$419.1	\$1,265.5	\$2,388.9	53.0%	18
Texas	\$1,096.8	\$3,108.4	\$1,924.1	\$6,129.3	\$10,939.1	56.0%	13
Utah	\$36.4	\$370.0	\$122.3	\$528.7	\$1,837.0	28.8%	46
Vermont	\$1.5	\$104.7	\$63.8	\$170.0	\$586.3	29.0%	45
Virginia	\$137.4	\$908.0	\$594.3	\$1,639.7	\$3,671.6	44.7%	26
Washington	\$271.0	\$1,205.9	\$503.5	\$1,980.4	\$4,046.4	48.9%	21
West Virginia	\$96.5	\$397.7	\$3.8	\$498.1	\$1,307.2	38.1%	40
Wisconsin	\$156.4	\$989.5	\$458.7	\$1,604.6	\$3,678.8	43.6%	28
Wyoming	\$12.1	\$70.2	\$88.2	\$170.5	\$696.9	24.5%	48

Source: Tax Foundation calculations from U.S. Census Bureau, State and Local Government Finance 2011. District of Columbia rank is for comparative purposes and does not affect other states' ranks.

Table 4: Road-Related User Fees and User Taxes Collected by State Per Capita, 2011

State	Tolls & User Fees	Fuel Taxes	License Taxes	Total, User Fees & User Taxes	Total, State-Local Road Spending	Share Covered	Rank
Alabama	\$3	\$129	\$46	\$178	\$458	38.9%	38
Alaska	\$90	\$55	\$101	\$246	\$2,341	10.5%	50
Arizona	\$3	\$119	\$35	\$157	\$386	40.8%	37
Arkansas	\$9	\$159	\$49	\$217	\$470	46.2%	25
California	\$17	\$151	\$83	\$252	\$391	64.4%	4
Colorado	\$24	\$122	\$92	\$238	\$468	50.9%	20
Connecticut	\$1	\$133	\$55	\$188	\$432	43.6%	29
Delaware	\$285	\$125	\$55	\$465	\$592	78.6%	1
Florida	\$65	\$165	\$66	\$296	\$430	68.8%	3
Georgia	\$3	\$95	\$30	\$128	\$296	43.4%	30
Hawaii	\$3	\$124	\$190	\$318	\$411	77.3%	2
Idaho	\$18	\$151	\$89	\$258	\$632	40.9%	36
Illinois	\$54	\$116	\$128	\$298	\$551	54.2%	16
Indiana	\$1	\$119	\$59	\$179	\$415	43.1%	31
Iowa	\$3	\$146	\$170	\$319	\$685	46.6%	23
Kansas	\$32	\$152	\$71	\$255	\$611	41.7%	34
Kentucky	\$1	\$168	\$56	\$225	\$511	44.1%	27
Louisiana	\$11	\$133	\$24	\$167	\$659	25.4%	47
Maine	\$89	\$180	\$74	\$343	\$701	48.8%	22
Maryland	\$63	\$129	\$76	\$268	\$505	53.1%	17
Massachusetts	\$71	\$100	\$57	\$229	\$389	58.7%	6
Michigan	\$11	\$99	\$90	\$200	\$351	57.0%	10
Minnesota	\$9	\$159	\$110	\$278	\$662	41.9%	32
Mississippi	\$1	\$142	\$43	\$187	\$565	33.1%	41
Missouri	\$3	\$120	\$45	\$168	\$532	31.6%	43
Montana	\$14	\$210	\$144	\$368	\$891	41.4%	35
Nebraska	\$23	\$173	\$93	\$288	\$623	46.3%	24
Nevada	\$3	\$138	\$56	\$197	\$516	38.1%	39
New Hampshire	\$111	\$124	\$96	\$330	\$570	58.0%	9
New Jersey	\$160	\$59	\$67	\$286	\$490	58.5%	8
New Mexico	\$7	\$115	\$66	\$189	\$570	33.1%	42
New York	\$165	\$83	\$73	\$320	\$567	56.5%	11
North Carolina	\$1	\$172	\$63	\$236	\$397	59.6%	5
North Dakota	\$26	\$250	\$136	\$412	\$1,383	29.8%	44
Ohio	\$24	\$152	\$68	\$245	\$436	56.1%	12
Oklahoma	\$62	\$118	\$170	\$350	\$634	55.2%	14
Oregon	\$16	\$117	\$153	\$286	\$520	55.0%	15
Pennsylvania	\$67	\$162	\$65	\$295	\$706	41.8%	33
Rhode Island	\$17	\$120	\$56	\$193	\$330	58.6%	7
South Carolina	\$15	\$113	\$42	\$170	\$328	51.9%	19
South Dakota	\$5	\$155	\$77	\$236	\$1,100	21.5%	49
Tennessee	\$0	\$132	\$65	\$198	\$373	53.0%	18
Texas	\$43	\$121	\$75	\$239	\$426	56.0%	13
Utah	\$13	\$131	\$43	\$188	\$652	28.8%	46
Vermont	\$2	\$167	\$102	\$271	\$936	29.0%	45
Virginia	\$17	\$112	\$73	\$203	\$453	44.7%	26
Washington	\$40	\$177	\$74	\$290	\$592	48.9%	21
West Virginia	\$52	\$214	\$2	\$268	\$705	38.1%	40
Wisconsin	\$27	\$173	\$80	\$281	\$644	43.6%	28
Wyoming	\$21	\$124	\$155	\$300	\$1,227	24.5%	48
Dist. of Columbia	\$0	\$35	\$53	\$89	\$395	22.5%	(49)
Total, United States	\$41	\$132	\$74	\$247	\$491	50.4%	

Source: Tax Foundation calculations from U.S. Census Bureau, State and Local Government Finance 2011. District of Columbia rank is for comparative purposes and does not affect other states' ranks.

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