TRANSPORTATION FUNDING OPTIONS USED BY OTHER STATES

This memorandum provides information regarding transportation funding options used by other states. The information in the memorandum is summarized from research conducted by the National Conference of State Legislatures.

DEFINITION OF WORDS AND PHRASES

The following is a list of definitions for terms used in this memorandum:

- "Public-private partnership" means a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration are linked to performance.
- "Road-use charges" also known as vehicle miles traveled fees are fees charged to motorists based on how many miles they have traveled.
- "Toll" means a charge payable for permission to use a particular bridge or road.

SURFACE TRANSPORTATION SYSTEM FUNDING ALTERNATIVES

On August 30, 2016, the United States Department of Transportation's Federal Highway Administration announced $14.2 million in grants for states under a new program--Surface Transportation System Funding Alternatives. The grants are to explore alternative revenue mechanisms to help sustain the long-term solvency of the highway trust fund. Specifically, the $14.2 million is providing funding to eight pilot projects developing options to raise revenue, including onboard vehicle technologies to charge drivers based on miles traveled and multistate or regional approaches to road user charges. The projects address common challenges involved with implementing user-based fees, such as public acceptance, privacy protection, equity, and geographic diversity. The projects will also evaluate the reliability and security of the technologies available to implement mileage-based fees. The following is the list of projects selected:

Recipient State and Partners	Project Description	Funding
California	Road-user charge using pay-at-the pump/charging stations.	$750,000
Delaware	User fees based with onboard mileage counters in collaboration with members of the I-95 Corridor Coalition.	1,490,000
Hawaii	User fee collection based on manual and automated odometer readings at inspection stations.	3,998,000
Minnesota	Use of mobility-as-a-service providers as the revenue collection mechanism.	300,000
Missouri	Implementation of a new registration fee schedule based on estimated miles per gallon.	250,000
Oregon	Improvements to Oregon's existing road usage charge program.	2,100,000
Oregon	Establishing the consistency, compatibility, and interoperability in road-user charging for a regional system in collaboration with members of the Western Road User Charge Consortium.	1,500,000
Washington	Testing critical elements of interoperable, multijurisdictional alternative user-based revenue collection systems. Piloting methods of road usage reporting with Washington drivers.	3,847,000
	Total	$14,235,000

DEDICATED GENERAL SALES TAXES

Currently six states have a dedicated general sales tax used to fund road projects, although many states may pass through sales and use tax revenue for providing funding for road projects. The six states are Arkansas, Connecticut, Kansas, Nebraska, Utah, and Virginia.

Arkansas

Arkansas currently has a temporary 0.50 percent sales and use tax to support $1.3 billion of its surface transportation system.

Connecticut

Connecticut's sales taxes on motor vehicle sales is used to provide funding for its surface transportation system and a 1 percent state general sales tax is deposited in the state's special transportation fund to support the state's surface transportation system.

Kansas

Portions of both the state sales tax and use tax are deposited to the state highway fund to support the state's surface transportation system.

Nebraska

Nebraska's sales taxes on motor vehicle sales is used to provide funding for its surface transportation system and the 2011 Build Nebraska Act dedicates a sales tax rate of 0.25 percent to highways until July 1, 2033.

Utah

Utah's sales taxes on rental vehicles is used to provide funding for its surface transportation system and percentages of the state's general sales taxes are allocated to its transportation investment fund of 2005 and the transportation fund. Approximately 17 percent of sales and use taxes on vehicles and vehicle-related products are deposited into the state's transportation investment fund of 2005.

Virginia

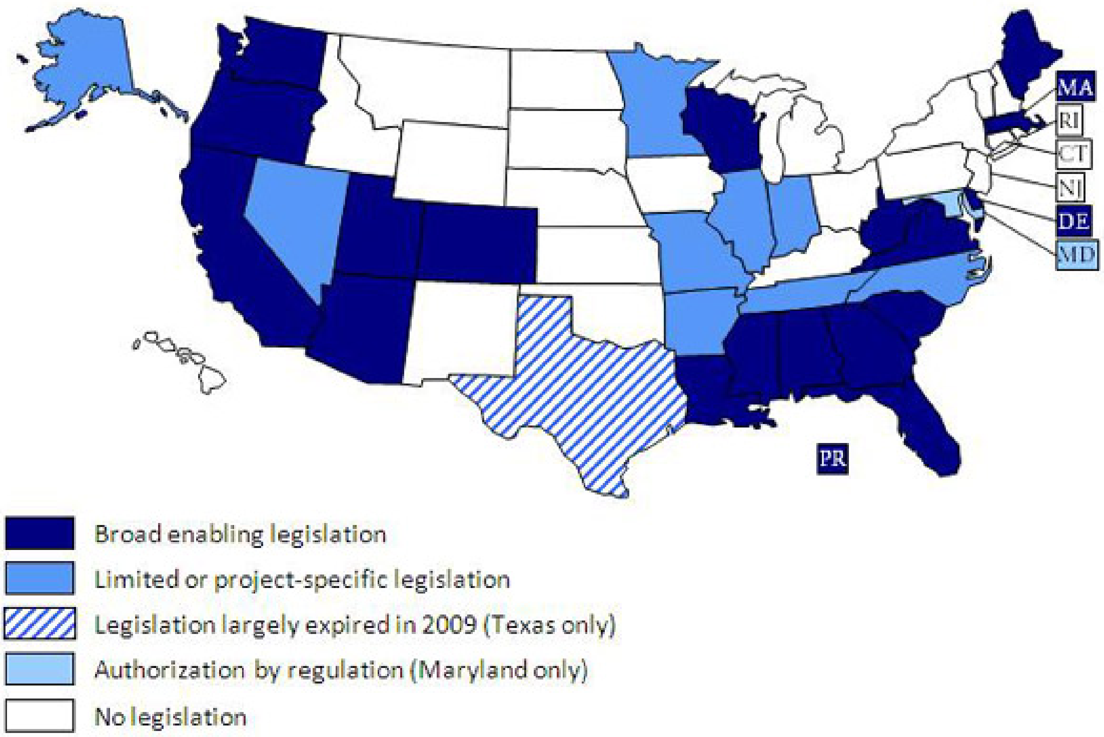
Virginia's sales taxes on motor vehicle sales is allocated in part to its transportation trust fund to provide funding for its surface transportation system and portions of the state's general sales taxes are dedicated to various transportation funds to support the state's transportation system.

Twenty states utilize all or a portion of sales and use tax imposed on the sale of motor vehicles to support surface transportation systems. Twenty-one states use all or a portion of sales and use tax or fee imposed on rental vehicles to support surface transportation systems. North Dakota has utilized a portion of the motor vehicle excise tax from the sale of motor vehicles to support surface transportation in the state. The 2007 and 2009 Legislative Assemblies provided that a portion of motor vehicle excise tax collections after distributions to the state aid distribution fund be deposited in the state highway fund rather than the general fund. House Bill No. 1012 (2007) allocated 10 percent of motor vehicle excise taxes to the state highway fund only during the 2007-09 biennium, while 2009 Senate Bill No. 2012 allocated 25 percent of motor vehicle excise taxes to the state highway fund only for the 2009-11 biennium.

PUBLIC-PRIVATE PARTNERSHIPS

Public-private partnerships are agreements that allow private companies to take on traditionally public roles in infrastructure projects, while keeping the public sector ultimately accountable for a project and the overall service to the public. In public-private partnerships, a government agency typically contracts with a private company to renovate, build, operate, maintain, manage or finance a facility. Public-private partnerships cover as many as a dozen types of innovative contracting, project delivery, and financing arrangements between public and private sector partners. Though public-private partnerships are not optimal for many transportation projects, they have been shown to reduce upfront public costs through accelerated or more efficient project delivery. Public-private partnerships do not create new money, but instead leverage private sector financial and other resources to develop infrastructure. In the end, a source of revenue, such as tolls or other public revenue still is required to pay back the private investment.

The following map provides information regarding the status of state legislation relating to public-private partnerships:



ROAD-USE CHARGES

Road-use charges are funding mechanisms that seek to more closely link transportation taxes to actual use of the roadways by a driver, as compared to traditional fuel taxes. The National Conference of State Legislatures reports it is aware of at least 10 states since 2013 that have passed legislation to study road-user charges and many more have examined the feasibility of such a mechanism without official legislation. The following two states have pilot programs.

Oregon

Oregon launched the largest user-fee pilot program to date in July 2015. The OreGo program is building a cadre of volunteers who agree to receive a monthly rebate for the gas taxes they pay at the pumps in exchange for a bill based on the miles they drive. At a rate of 1.5 cents per mile, a vehicle with a fuel efficiency of 20 miles per gallon would break even under the new program by not having to pay the state's 30-cent-per-gallon fuel tax.

Officials tried to anticipate public concerns by allowing volunteers to choose a mileage-tracking option, an in-car GPS unit, self-reporting based on odometer readings, or a monthly set mileage fee.

Private, third-party companies are administering the program to alleviate privacy and data collection concerns.

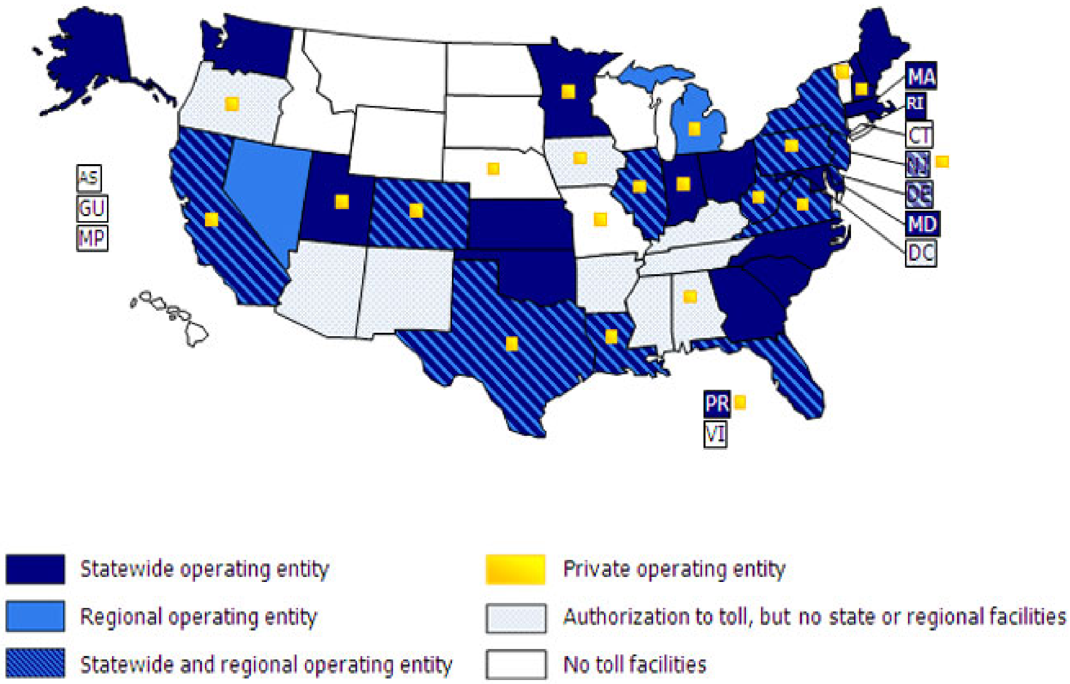
California

California is implementing its California Road Charge Pilot Program, a voluntary effort that relies heavily on Oregon's experience. The program was created by the Road Charge Technical Advisory Committee, which was established by legislation in 2014 to study user fees and establish a statewide pilot program. The California Road Charge Pilot Program will also serve as a proof of concept and include 5,000 volunteers. Unlike the Oregon's pilot program, this program will be conceptual in nature and not involve any actual revenues.

TOLLING

More states are increasing the use of tolling as a result in declining revenue from fuel taxes. Of the 50 states, 42 have some form of tolling authorization of facilities. Toll rates vary widely among these facilities. Rates for bridges, tunnels, and some highways are fixed, while the majority of toll roads base cost upon distance traveled. In addition, some states, including the Rhode Island Turnpike and Bridge Authority, gives state residents a discount on tolls. Many state authorities offer an electronic toll-paying option, such as E-ZPass, which typically provides a discounted toll to users of the electronic system.

The following is a map of states that utilize tolling.


AS
GU
MP
MA
RI
CT
NJ
DE
MD
DC
PR
VI
Statewide operating entity
Regional operating entity
Statewide and regional operating entity
Private operating entity
Authorization to toll, but no state or regional facilities
No toll facilities