LOCAL OPTION MOTOR FUEL TAX

Description

The state of Texas levies a flat 20 cent per gallon tax on gasoline and diesel fuels. Local regions could require an additional gas and diesel tax that would be levied on local fuels.

How Will This Help?

100 percent of funds would go to transportation – While only 75 percent of funds from gas and diesel tax revenues go toward funding transportation, 100 percent of a local option fee would be dedicated to local transportation funding.

Provide additional funds for local projects – Creating a local motor fuels tax would provide funds to reduce local traffic congestion and help maintain the safety and quality of local roadways.

Who: Local
Cost to Collect: Medium
Sustainability: ●●○○○
Reliability: ●●●●○
Implementation: Complex

Increase the number of projects completed – Having additional local revenue could mean a project's schedule gets moved up or scope gets expanded. Additional revenue could also result in additional projects being funded that otherwise would not.

Fuel tax revenues will likely decrease over time – Creating a local revenue stream will help slow the effects of decreasing fuel tax revenues.

Help tax keeps pace with rising highway construction costs – Since 1991, road construction and maintenance costs have almost doubled, while the state motor fuels tax has remained at the same rate. Creating a local motor fuels tax would help bridge this gap.

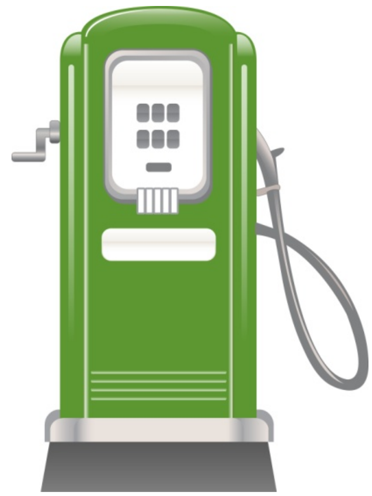
Reduce need for excessive borrowing – Texas has increasingly turned to bonds as a means of financing transportation improvements as the fuel tax has lost purchasing power. Texas could help slow a growing trend of using the "credit card" to pay for roadway projects by creating a local motor fuels tax.

What's the Down-Side?

- **General opposition to fee increases –** The Legislature and the public have recently been opposed to any tax or fee increases.
- **Additional local fees may dissuade new businesses –** The local fee will only apply to fuel sold in the local area. An additional tax may detract new businesses and slow economic growth.
- **Fuel tax revenues are eroded by increased fuel efficiency –** Fuel tax revenues will likely decrease over time. The expected growth in future population means more people traveling on the roadways and consuming more fuel. However, today's more fuel efficient cars and trucks pay lower fuel tax per mile than when the tax rates were last set twenty years ago. As vehicles become more fuel efficient and alternative fuel vehicles become more common, the number of gallons needed to go the same distance will decrease. While benefits such as a smaller carbon footprint

and the ability to travel further per gallon are gained, the resulting decrease in fuel consumption means less gas and diesel tax revenue raised to tackle the rising transportation needs.

Estimated Funding Yield



Local 1 cent/gal. tax would, from 2014 to 2017, yield an estimated:

- $33 million in Austin,
- $127 million in Dallas-Ft. Worth,
- $114 million in Houston, and
- $40 million in San Antonio.

Local 5 cent/gal. tax would, from 2014 to 2017, yield an estimated:

- $166 million in Austin,
- $635 million in Dallas-Ft. Worth,
- $571 million in Houston, and
- $198 million in San Antonio.

Implementation Issues

- Low cost to implement, no new technology or increased costs of compliance to users.
- Legislative action is required to implement this funding change.
- Local voter/users would need to be educated regarding the costs and benefits.

Around the Nation

Florida allows counties to levy a local option motor fuel tax that varies depending on county population. Tax funds go directly toward road maintenance and bridge repairs.